Austria ... Sch 20	Indonesia ... Rp 2500	Philippines ... Pes. 20
Bahrain ... Din 0.650	Israel ... NIS 3.50	Portugal ... Esc 90
Belgium ... BFr 45	Italy ... L 1500	S. Arabia ... Rls 6.00
Canada ... C$1.00	Japan ... Y650	Singapore ... S$4.10
Cyprus ... C£0.70	Jordan ... Fils 500	Spain ... Pta 125
Denmark ... DKr 8.00	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Egypt ... E£1.00	Lebanon ... £1.25.00	Sweden ... Skr 7.00
Finland ... Fmk 6.50	Luxembourg ... LFr 45	Switzerland ... SFr 2.20
France ... FFr 6.00	Malaysia ... Rm 4.25	Taiwan ... NT$65
Germany ... DM 2.20	Mexico ... Pes. 300	Tunisia ... Din 1.375
Greece ... Dr 80	Morocco ... Dh 8.00	Turkey ... L 350
Hong Kong ... HK$12	Netherlands ... Fl 2.75	U.A.E. ... Dh 8.50
India ... Rup. 15	Norway ... NKr 7.00	U.S.A. ... $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,993 — Wednesday July 30 1986 — D 8523 B

Australia: the lucky country's last chance, Page 13

World news

Beirut hit by second car bomb

A second car bomb exploded in Beirut yesterday, in the Moslem western sector of the city, killing at least 24 people and wounding 160. Thirty people died and more than 100 were injured on Monday when an explosive-packed Mercedes demolished buildings and cars in the Christian east.

The latest bomb went off near Beirut's green line frontier at a road junction crowded with taxis and bus queues. Page 3

Craxi go-ahead

Italy's government crisis reached a solution yesterday when Socialist Party leader Mr Bettino Craxi was told to go ahead and form a new government. Page 2

Afghan offensive

Soviet and Afghan armour and aircraft movements south-west of Kabul suggest a major offensive has begun against Moslem rebels in Logar province, according to Western diplomats. Page 2

Opec changes tack

Opec ministers meeting in Geneva yesterday abandoned attempts to reach a binding agreement on oil quotas under a specific ceiling and instead began negotiating voluntary short-term production cuts as a way of reducing the world oil glut and stopping the drop in prices. Page 2

Chernobyl expulsion

The former chief engineer of the Chernobyl nuclear power station, I. Fomin, has been expelled from the Soviet Communist Party for negligence in providing guarantees of safety and conducting experiments, Pravda Ukraine reported. The accident in the reactor last May has led to a sharp drop in the number of Western tourists visiting the Soviet Union and East European countries. Page 2

Nato exercise

Nato forces are to mount a military exercise in northern Europe next month that will involve 150 ships, 35,000 troops and hundreds of aircraft.

Kurds strike village

Kurdish rebels have attacked a village in south-eastern Turkey, killing three farmers and injuring five others. Kurds seeking autonomy have repeatedly clashed with Turkish government forces over the past two years.

Weinberger warning

US Defence Secretary Caspar Weinberger said that the present campaign in the US Congress to cut military spending could place Washington in the position Britain occupied just before World War Two when its strategic commitments outstripped its capabilities.

Air routes talks

Britain and France agree on the need for more liberal air routes in Western Europe, French Junior Transport Minister Jacques Douffiagues said yesterday after meeting his British counterpart John Moore.

Whaling row

Iceland's Prime Minister Steingrimur Hermannsson yesterday summoned US ambassador Nicholas Ruwe to protest against the threatened American boycott of Icelandic fish products that caused Iceland to halt its whale hunt on Monday.

Long long-distance

The West German post office has said that it does not expect a homesick Bangladeshi refugee living near Cologne to be able to pay the DM 40,000 ($18,860) bill he incurred in long-distance charges, and has disconnected the man's telephone.

Business summary

A$ ends steadier; Sydney recovers

AUSTRALIAN dollar traded steadier in the wake of Monday's Government measures, closing at 60.8 US cents in Sydney. Page 29. Share prices recovered in Sydney, with All Ordinaries index advancing 11 to 1,105.5. Page 36. Federal Treasurer Paul Keating said that relaxation of foreign investment rules had been planned for some time and was not a panic measure to prop up the currency. Page 14; Editorial comment, Page 12; Feature, Page 13

WALL STREET: By 2pm the Dow Jones industrial average was 4.07 lower at 1,769.83. Page 36

TOKYO: Buying interest was dampened by the overnight plunge on Wall Street and the yen's strong rally. The Nikkei average tumbled 310.00 to 17,728.94. Page 36

LONDON: A steadier performance by sterling in foreign exchange markets enabled confidence to rebuild in the share and bond markets. The FT Ordinary share index closed 7.8 higher at 1,271.6 and the FT-SE 100 was 7 up at 1,558.4. Page 36

DOLLAR fell in London to DM 2.1110 (DM 2.1135); SFr 1.6900 (SFr 1.7000); Y155.70 (Y155.75), but rose to FFr 6.84 (FFr 6.8375). On Bank of England figures the dollar's index fell to 112.2 from 112.7. Page 29

STERLING rose in London to $1.4885 ($1.4815); DM 3.1425 (DM 3.1300); FFr 10.18 (FFr 10.13); Y231.75 (Y230.75), but fell to SFr 2.5150 (SFr 2.5175). The pound's exchange rate index rose 0.4 to 72.1. Page 29

GOLD fell $1 to $352.50 on the London bullion market. It also fell in Zurich to $352.25 from $353.45. Page 28

ARGENTINA and Brazil yesterday signed an economic integration pact designed to create a larger capital goods market for both countries.

FRENCH Government will launch its ambitious privatisation programme by drawing up in the coming months a limited list of state companies to be denationalised. Page 15

SEMICONDUCTORS: US officials said they were optimistic that a settlement of the heated trade dispute with Japan would be announced before tonight's deadline when the Commerce Department must decide whether to impose stiff anti-dumping duties on Japanese makers of electrically programmable read-only memory chips (Eproms). Seeq Technology, a Silicon Valley chipmaker, said, meanwhile, that it was withdrawing from the Eprom market and cutting its workforce by 35 per cent.

WEST GERMAN banking consortium headed by Westdeutsche Landesbank has sold the Nova-Park hotel properties in New York and Paris for $69m. Page 15

ARMCO, struggling US steel company, suffered a further loss in the second quarter when it was hit by a new round of special charges and its net loss for the period amounted to $384.7m – more than half of its sales of $657.7m. Page 15

CHASE MANHATTAN and Merrill Lynch, two leading New York financial institutions, reported substantial gains on the sale of peripheral activities which do not fit in with their long-term strategies. Page 15

LUFTHANSA, West Germany's national airline, and Iberia, the Spanish state airline, have begun negotiations aimed at forming a new charter airline. Page 15

SWISSAIR, Swiss national airline, incurred a gross earnings decline in the first six months of this year to SFr 83m ($51.8m) compared with SFr 174m in the same period last year. Page 15

NIXDORF, West German computer group which came to the stock market two years ago, expects to turn in strong profits for 1986 following buoyant sales and orders for the first six months. Page 15

Botha rejects EEC 'interference' as Howe mission fails

BY ROBERT MAUTHNER AND BERNARD SIMON IN PRETORIA

SOUTH AFRICAN President P. W. Botha yesterday defiantly and unambiguously rejected proposals by the European Community mission led by British Foreign Secretary Sir Geoffrey Howe for a peaceful dialogue between Pretoria and the country's black leaders.

Speaking at the end of his second meeting in a week with Sir Geoffrey, a confident Mr Botha almost disdainfully said that "we cannot allow uncalled for direct interference in our internal affairs." He made it clear that the South African Government had closed the door to the release of imprisoned black leader Mr Nelson Mandela and the unbanning of the African National Congress until a string of conditions is met.

Sir Geoffrey put on a more diplomatic face, but openly recognised that his current mission had failed. "The responses which I have received have not yet enabled me to claim that I have made the progress I would have liked," he said at a press conference immediately before leaving for London after his week-long tour of five Southern African nations.

Sir Geoffrey returns to London not only rebuffed, but also humiliated. The failure of his mission, which was never given much hope of success, is almost certain to increase pressure on the British and US governments for stiffer sanctions against South Africa. His experience also illustrates that Pretoria is, for the time being at least, impervious to foreign persuasion to accelerate and broaden its reform programme.

South African textile exports to the US will be limited under an agreement aimed at protecting US producers. The White House said that imports of most products would be allowed to grow at no more than 4 per cent a year. Wool products would be limited to 1 per cent growth.

Sir Geoffrey refused to be drawn on whether he would pay another visit to Southern Africa at the head of an EEC mission in the near future. The possibility had not been excluded, he said. It depended on consultations he would now have with EEC and Commonwealth governments.

Seven Commonwealth leaders are due to meet in London at the weekend to consider further measures against South Africa.

Sir Geoffrey declined to anticipate the result of the Commonwealth conference. He did hint strongly, however, that further measures against Pretoria are likely to be adopted, not only by the Commonwealth and the EEC, but by the US and other countries too. "There is a pattern of further measures potentially in prospect," he said.

Mr Botha bluntly reaffirmed the Pretoria Government's determination to resist sanctions. "If we are forced until our backs are against the wall," he said, "we will have no alternative but to stand up in self-respect and say to the world: 'You won't force South Africans to commit national suicide.'"

The South African leader said that as an alternative to sanctions, he had proposed to Sir Geoffrey that Southern African and EEC leaders should meet "for the purpose of jointly identifying and addressing the problems that afflict us and others in the region."

Mr Botha is expected to outline whatever further political reforms he has in mind at a special congress of the ruling National Party on August 12.

In response to Sir Geoffrey's statement that Pretoria "holds the key to a solution" of Southern Africa's problems, Mr Botha spelt out a

Continued on Page 14

Struggle for order in schools, Page 3; US pressure for sanctions, Page 4

Paris goes ahead with television satellite project

By Paul Betts in Paris

THE FRENCH Government is to proceed with a controversial FFr 3.5bn ($512m) direct broadcasting television satellite programme despite opposition from several Cabinet ministers and the French telecommunications authority.

The decision to persevere with the project was taken by Mr Jacques Chirac, the Prime Minister, after a meeting yesterday with ministers involved in the programme.

Mr Chirac had the choice of either cancelling the entire programme, scaling it back or pursuing it. Although the French telecommunications authority and the French Minister for Post and Telecommunications, Mr Gerard Longuet, had criticised the satellite programme, Mr Chirac had come under heavy pressure to save the project from industrial groups and Telediffusion de France (TDF), the agency overseeing the programme.

The project involves the launch by the European Ariane space rocket of a first direct broadcasting satellite, TDF-1, in the second part of next year to be followed, probably in 1989, by a second satellite, TDF-2. It was originally approved seven years ago as a joint Franco-German television satellite collaboration venture.

The French Government has already invested about FFr 1.5bn in the programme. This is one of the main reasons which is understood to have persuaded the Government to continue with the project. At the same time, the programme's promoters argued forcefully that France, and indeed Europe, risked losing out to Japan and the US in the stakes for the future generation of satellite television broadcasting if the TDF direct broadcasting satellite project was abandoned at this stage.

Critics of the French satellites claimed that the TDF-1 and TDF-2 system was likely to turn into another Concorde and that it had already been overtaken by a new generation of less powerful mixed telecommunications and television broadcasting satellites. They also argued that the new satellites could beam a far greater number of television channels than the four channels on TDF-1.

The TDF-1 satellite will cover virtually all Western Europe when it is finally placed in orbit. The satellite was originally due to be launched this autumn but the project was delayed after the recent failure of the Ariane space rocket and govern-

Continued on Page 14

Cuts in French civil service, Page 14

Volcker hint on rates halts bonds slide

BY TERRY DODSWORTH AND WILLIAM HALL IN NEW YORK

MR PAUL VOLCKER, chairman of the Federal Reserve Board, gave an unexpectedly strong hint yesterday that US interest rates could fall further. His comments halted the week-long slide in US bond prices.

Speaking before the House of Representatives Banking Committee, Mr Volcker said that real interest rates were historically high given his expectation of inflation. He added that the decline in US interest rates had not yet reached the point where it was deterring capital inflows from abroad.

Mr Volcker's comments caused an immediate recovery in the bond market where dealers had been showing increasing concern that the Fed's recent discount rate cut and the subsequent decline in the dollar might deter foreign participation in the imminent US Treasury refunding programme.

Mr Bob Brusca, chief economist at Nikko Securities in New York, yesterday described Mr Volcker's comments on interest rates as "quite remarkable" and said that they were "most constructive". By early afternoon, the 30-year US Treasury long bond had gained just over ¾ point where it was yielding 7.5 per cent, against 7.57 per cent on Monday.

Over the last week and a half long-term government bond yields have risen by 45 basis points from their record mid-July low of 7.11 per cent as investors have become increasingly nervous about the impact of the falling dollar which has been hitting record lows against the yen.

Pressed about the dangers of a continuing decline in the dollar, Mr Volcker said that the US would be better off if America's trading partners spurred growth in their economies rather than relying on a further depreciation of the dollar.

However, when Mr Volcker was asked whether he expected the US economy to slip into a recession, he said that "we are not as a group anticipating that."

In New York, the dollar recovered some of Monday's losses but traders remained nervous ahead of today's US trade figures, which are expected to show another large deficit.

George Graham in London adds: Foreign exchange dealers were again unsure which message to draw from Mr Volcker's remarks, as they were after his Senate testimony last week.

The dollar initially moved lower, dropping as far as DM 2.105 and closing in London at DM 2.111 – down 0.15 pfennigs from Monday's close. It then recovered above DM 2.12, however, as dealers took profits and reacted to the disapproval voiced by the Fed chairman of Monday's sharp fall in the dollar's value.

Money markets, Page 29

UK manufacturers see further lull in output

BY GEORGE GRAHAM IN LONDON

BRITAIN'S manufacturers are less optimistic now than they have been since 1982, with new orders declining and output flat and likely to remain so at least until October. Export orders appear hard to come by, and employment is expected to fall by 6,000 a month over the coming months.

Output over the past four months has been much worse than expected, according to a survey of manufacturing companies carried out by the Confederation of British Industry. While an improvement is anticipated in the coming months, it is likely to be slow and to be concentrated in the consumer goods industries.

Mr David Wigglesworth, chairman of the CBI's economic situation committee, said output had flattened off because of the slowdown in world trade and because UK manufacturers are running down their stocks.

"They seem to be clearing their shelves and reducing their warehouse stock because raw material prices are falling and there's a good chance they will be able to buy more cheaply later on. In addition, with interest rates which are still very high by international standards, this is no time to be financing high levels of working capital", Mr Wigglesworth said.

The survey shows a slowdown in the rate of job creation in small companies, which have in recent years helped to mitigate the effect of job losses among larger manufacturing companies. The CBI forecasts a continued fall in manufacturing employment to 5.35m by October, down 1½ per cent from a year earlier.

The CBI survey provides lukewarm comfort for the Government, reinforcing its view that the lull in economic activity should soon come to an end, but indicating it could still be several months before any upturn materialises.

Mr Nigel Lawson, Chancellor of the Exchequer, has described the sluggish economic conditions in the UK as "a pause in the remarkable growth it has enjoyed since the trough of the world recession", and said there was every reason to believe the pause would soon be over both in the UK and overseas.

It is felt at the Treasury that as rising real earnings fuel consumer spending, demand should feed through directly into output rather than being absorbed by destocking, since companies have already reduced their stocks.

The CBI survey, however, indicates that more companies expect further reductions in stock levels, both of raw materials and of finished goods, than at any time in the last three years.

Export performance is also expected to be poor in the next four months, with a majority of companies anticipating lower export orders for the first time since 1983.

If the flat trend in exports were to continue to the end of the year, the CBI says, the deficit in non-oil trade for 1986 would be £10bn to £11bn ($14.8bn–$16.28bn), similar to last year's deficit of £10.2bn.

Baldrige tells Japan to increase imports

BY IAN RODGER IN TOKYO

THE US is on the verge of shutting its borders to many Japanese goods unless Tokyo's declared policy to increase imports by opening its markets is translated quickly into action, Mr Malcolm Baldrige, Commerce Secretary, warned yesterday.

Mr Baldrige told Japanese business leaders that US frustration with Japan's huge and still growing trade surplus had reached a critical stage.

Mr Baldrige, who has been on a hastily scheduled four-day visit to Tokyo to emphasise the seriousness of the situation, said attempts by Congress to pass protectionist legislation could succeed as early as next week.

Congress is due to vote next Wednesday on whether to override President Ronald Reagan's veto of the Jenkins textile bill, aimed at curbing exports to the US. Mr Baldrige may have hoped that fresh assurances from the new Japanese Cabinet and Japanese business leaders on their plans to increase imports might help the Reagan Administration in its battle to sustain the veto.

He paid tribute to the Japanese Government for removing many tariff and non-tariff barriers in recent years, and for espousing a clear pro-import policy.

However, neither this policy nor the high yen had succeeded in raising Japan's import levels. The problem was that the Japanese bureaucracy and business community had not taken to heart the need to import.

"The world is looking to Japan – and especially to you, the industri-

Continued on Page 14

NatWest lifts profits 34% and seeks New York, Tokyo listings

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

BOOMING conditions in the UK banking market helped National Westminster Bank, Britain's largest commercial bank, to increase its pre-tax profits by 34 per cent in the first half of this year to £482m ($714m).

The increase, announced yesterday, was considerably larger than expected and it points to healthy profits at Midland and Barclays, which are due to report in the coming days. Lloyds has already reported a gain of 27 per cent.

NatWest's shares rose 5p to 517p and other bank shares were strong on the announcement of results, although they later fell back again.

NatWest also said yesterday that it was seeking a listing for its shares on the New York and Tokyo stock exchanges – a move which reflects the growing internationalisation of banking and NatWest's desire to broaden the range of its overseas shareholders.

Lord Boardman, the chairman, said the interim results marked "an excellent trading performance with steady income growth being achieved in a period of falling interest rates worldwide, and with effective control of our operating costs."

NatWest earned by far the largest share of its profits from the domestic market despite mounting competition from other banks and building societies in the loan and deposit business. Profits rose by 57 per cent to £320m. The contribution of internation banking, by contrast, rose only 5 per cent to £116m.

NatWest's other ventures, such as its Lombard group leasing subsidiary, and NatWest Investment Bank, the new capital markets unit being assembled for the Big Bang, returned unchanged profits of £46m.

On the cost side, NatWest was able to reduce the growth in provisions for bad and doubtful debts. Its total costs were up 13.5 per cent.

The strong domestic results were largely thanks to the fall in UK interest rates, which enabled Nat West to cut its rates to depositors while continuing to glean high returns on fixed-rate loans made when interest rates were much higher. The margin between NatWest's average deposit and base lending rates in the period was an exceptionally high 3.8 per cent.

NatWest expects good conditions to continue in the UK.

The interim dividend is 7p a share, an increase of 10.4 per cent.

Background, Page 20

CONTENTS

MOOD OF DESPERATION AS PRODUCERS SEEK AN INTERIM COMPROMISE

Opec seeks voluntary cuts in oil production

BY RICHARD JOHNS IN GENEVA

THE ORGANISATION of Petroleum Exporting Countries (Opec) decided yesterday in a mood of desperation to seek an interim compromise aimed at boosting oil prices through "voluntary" production cuts by individual member states.

Dr Subroto, Indonesia's chief delegate, together with Mr Rilwanu Lukman, Nigeria's Minister of Petroleum Resources and current president of Opec, were entrusted with the task of canvassing each delegation to find out how much their governments would be prepared to reduce rates of output.

The new approach reflected a recognition of the impossibility at this point of reaching a binding agreement on quotas under a specific ceiling. Nevertheless, something like a clear consensus that the maximum limit should be about 17.6m barrels a day (b/d), reckoned by the majority to be the demand for Opec trade in 1986, should be the target.

A group of five mainstream members – Saudi Arabia, Kuwait, Venezuela, Nigeria and Indonesia – have already indicated their willingness to lower their individual production by 15 per cent from the total of more than 20m b/d sustained during July, probably about 3m b/d above actual consumption requirements.

It is understood, however, that they have made no binding commitment and are looking to other member states to make some kind of undertaking.

The best outcome of this conference – the seventh Opec gathering in little more than a year – from the point of view of producers, seems to be some kind of ad hoc arrangement sufficient to rein in collective output from financially suicidal levels achieved in the wake of the failure to reach an accord on quotas a month ago on the Yugoslav island of Brioni.

There, the majority agreed that it would be possible to restore prices to the $17-$19 range if output was limited to 17.9m b/d. That calculation could require very drastic revision in the light of the surge in collective production in June and July.

Perhaps the most equitable solution yet devised to solve the predicament of Opec was virtually thrown out of the window when Dr Subroto's proposals – on what individual members regarded as the fairest distribution under a 17.6m b/d ceiling – were categorically rejected by Iran, Iraq, the United Arab Emirates and Qatar.

At a full session yesterday morning, there was general consensus that the differences between Iran and Iraq, which have now been at war for nearly six years, were insoluble for the foreseeable future. The understanding was that any accord on production restraint would have to be limited to the other 11 members.

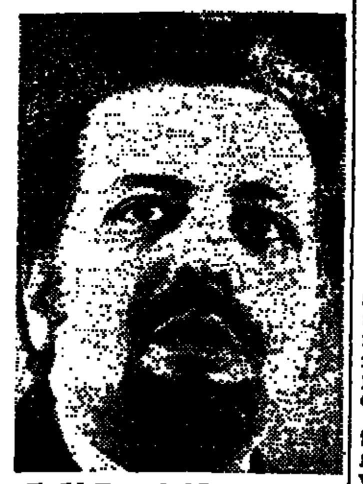
The UAE, the other member which has posed the biggest obstacle to a deal on quotas, has indicated that it might be prepared to modify its insistence on an entitlement of no less than 1.5m b/d.

Opec experts calculate that members' revenue in the first half of 1986 was only $36.7bn compared with $56.3bn in the same period of 1985. According to their calculations, the loss was very unevenly distributed.

Iran suffered most with a decline of 53 per cent from $6.2bn to $2.8bn. Libya's receipts declined by 42 per cent from $4.1bn to $2.3bn.

Iraq suffered the least as a result of the opening of the export outlet through the pipeline to the Red Sea. It was only 9 per cent down from $4.3bn to $3.9bn, the Opec experts calculated.

Saudi Arabia was down only 24 per cent from $12.7bn to $9.6bn as a result of its decision to force Opec into the priority of regaining market share rather than maintaining per barrel revenues.



Sheikh Yamani of Saudi Arabia: Ready to agree cuts

West German trade surplus up to DM 50bn in first half

BY PETER BRUCE IN BONN

WEST GERMANY'S runaway trade surplus reached a record DM 50.3bn (£16bn) in the first six months of this year, the Government said yesterday. This almost equals the DM 54bn in 1984 and more than compensates for the DM 32.2bn achieved in the first half of 1985.

The Federal Statistics Office said the country had achieved an overall surplus on its current account of DM 34.4bn so far, a rise of more than 100 per cent on the first six months of last year.

These figures are embarrassing to Bonn, which is under great pressure from its main western trading partners to boost its domestic economy and so encourage imports. But the Government has been content to argue that the rise in the strength of the D-mark against almost all currencies, but particularly the US dollar, would inevitably lead to a decline in exports and a corresponding increase in imports.

In fact, the official statistics for the first six months show that imports into West Germany totalled DM 215.3bn, 8.5 per cent lower than the same time last year. Exports, meanwhile, fell just 1 per cent, to DM 265.3bn. In real terms, imports rose 7 per cent, the agency said, while exports increased by 2 per cent.

Spying in Switzerland detailed

By John Wicks in Zurich

SWITZERLAND is the scene of large-scale espionage on the part of East bloc countries, according to the Federal Public Prosecutor's Office in Berne.

Mr Roland Hauenstein, the office's spokesman, said "something like a quarter" of the staff of these nations diplomatic missions in Switzerland were engaged in some form of espionage. Since 1970, 143 cases of espionage had been uncovered in Switzerland. Of these, 97 involved "East bloc or Eastern-oriented states."

He drew particular attention to the "substantial" growth in industrial espionage in the past few years. This was organised by governments in East bloc countries which spent years planning the placement of agents. Spying by Western countries generally reflected private-sector competition.

Over the past 16 years, some 13 per cent of all detected East bloc espionage concerned industrial secrets, with the percentage in the West rising to as much as 59 per cent.

Greece is forced to borrow more abroad

Greece has had to borrow more abroad than planned in the first seven months of 1986 due to lower private deposits and demand for government bonds, according to Mr Dimitris Chalikias, the central bank governor, writes Andriana Ierodiaconou in Athens.

Foreign borrowing will have reached $2bn by the end of August, against a target of $1.7bn for the whole year. Part of this has gone into reserves. Bank officials say borrowing may reach $2.2bn by the end of the year, bringing Greece's overall external debt to more than $17bn.

Peter Bruce surveys the state of West Germany's far right

Neo-Nazis exploit refugee fears

A FLOOD of Third World refugees into West Germany may be proving increasingly rich and welcome political fodder for the country's once dwindling band of right-wing extremists.

Anti-black sentiment is said now to be marked in areas where the refugees—there may be as many as 100,000 this year—have been concentrated by hard-pressed authorities. Local politicians say right-wing groups have stepped up poster campaigns and residents of towns have been subjected to crude racist mailshots.

Authorities in Helmstedt, a small town near the border with East Germany, believe right-wing youth were responsible for the flares fired three weeks ago at tents erected near the town for refugees.

They also blame right-wing or neo-Nazi groups for starting a series of fights in the town with Ghanaian, Iranian and Lebanese refugee youths wandering through the town at night. Whoever has started these fights, local residents have become alarmed.

Right-wingers were being blamed by West Berlin's Christian Democrat rulers for last weekend's burning down of a number of tents, empty at the time, set up for refugees.

It remains to be seen just how much capital the extremists make out of West Germany's refugee problem, which has come at a time when they need an issue to exploit. Despite the infamous successes 50 and more years ago of their Nazi forebears, today's German extremists have been reduced—possibly by democracy and almost certainly by general prosperity — to a pathetic collection of some 68 fractious groups. Their membership totals 22,100, according to the latest report on political extremism published by West German counter-intelligence.

Money is in short supply for the neo-Nazi groups. It costs DM 1,000 (£320) to interview Mr Martin Pape, chairman of the Free-German Worker's Party (FAP), the country's only growing neo-Nazi group (the report says it has fewer than 400 members). "That's in my contract with the party," he says. Mr Pape is an unemployed salesman in Stuttgart.

West German counter-intelligence calculates, with breath-taking precision, that there were 1,420 active neo-Nazis in the country last year, 130 more than in 1984.

However, the neo-Nazi definition used by counter intelligence could be misleading. While the 29 neo-Nazi groups in the country are so identified because they argue for the reintroduction of national socialist programmes in West Germany, they are indistinguishable from other extremist parties in their most basic aim—a neutral, united, white Germany.

For example, the 6,100-strong Nationaldemokratische Partei Deutschlands (NPD), the biggest extremist group and not officially classified as neo-Nazi, regularly calls for action against "the weakening and loss of national identity through mixing (races)." Bonn is run by "traitors," the party believes.

Its finances are believed to be healthy, mainly because of money given to it to campaign in the 1984 European Parliament elections. It expects to get about DM 1m to fight the next EEC election in 1989.

The NPD has, nevertheless, performed very badly in elections. Its 0.7 per cent of the vote in the Saarland state election in 1985 was actually an improvement on to the 0.3 per cent it won in the last federal elections in 1983 and its 0.8 per cent in the EEC poll in 1984. It decided not to compete in the North Rhine Westphalia state election last year.

While the NPD serves at least as a focal point for the "civilian" extremist movements, the official neo-Nazis are in fairly spectacular ideological disarray.

A few years ago, two convicted right-wing terrorists wrote a pamphlet titled Farewell to Hitlerism, in which they accused the Fuehrer of betraying national socialism and of making the Nazi Party capitalist, bourgeois and elitist. Since then, says the counter-intelligence report, "the number of voices labelling Hitler as a traitor to national socialism has increased."

The new heroes are the Strasser brothers, Gregor and Otto, and Ernst Roehm. The Strassers were arguably left-wingers in the Nazi Party of the 1930s. Anti-capitalist, they took the "socialist" element in the Nazi doctrine seriously.

Roehm, a rebellious bisexual, commanded the SA, the forerunner of the SS. Gregor Strasser—who organised the Nazi Party in northern Germany—and Roehm were killed, with Hitler's tacit consent, on June 30 1934 (the "Night of the Long Knives") along with 1,000 other alleged party traitors in an attempt to put down a non-existent coup. Otto Strasser, expelled from the Nazi Party, had fled to Canada in 1933.

So great has been the strain on today's Nazis of absorbing this change of allegiance, Mr Pape is believed to be losing control of his party. The FAP is said to be under the remote control of a militant uniform fetishist, Michael Kuehnen, 30, who is currently doing time for distributing Nazi propaganda.

Much to the annoyance of the radical Greens, the environmentalist party, government ministers often attempt now to link them with right-wing extremism, arguing that the ideological roots of modern left and right extremism are the same.

The intelligence report, not neutral in this matter, says the new neo-Nazi Strasser wing "often sees its political position close to extreme leftists and so-called anti-imperialists and argues in its domestic and European policies for an accommodation with the Soviet Union."

The Greens will be an important target for the Christian Democrat government in the run-up to next January's general election and this theme is bound to recur.

A meeting of a neo-Nazi group, the modern successors of Hitler's SA troops of the 1930s

Craxi wins backing of coalition

By Alan Friedman in Rome

MR BETTINO CRAXI, the Socialist Party leader whose resignation as Prime Minister opened Italy's government crisis on June 27, yesterday received the endorsement of all of the leaders of the fallen five-party coalition to proceed with the formation of a new government.

The positive declaration from leaders of the Christian Democrats, Republicans, Liberals and Social Democrats followed a "summit" of the party leaders which lasted for more than three hours yesterday morning.

The meeting, called by Mr Craxi, ratified the compromise solution agreed between Mr Craxi and the Christian Democrats last week.

The compromise will see Mr Craxi staying on as Prime Minister until next March and then handing over the Palazzo Chigi (the Prime Minister's official residence) to a Christian Democrat, who would be Prime Minister until the end of the present Parliament in 1988.

At yesterday's meeting, the party leaders discussed a legislative programme to include approval of Italy's 1987 budget, new laws designed to reform the country's archaic judicial system and the need to appoint board members at the Rai state television network.

Mr Craxi is expected to hold a series of bilateral meetings today and tomorrow to discuss a minor cabinet reshuffle and will report to President Cossiga before Friday.

Mr Claudio Martelli, the deputy Socialist Party leader and a close aide to Mr Craxi, said the new government would be presented before Parliament next Monday, with a vote of confidence scheduled to formally end the Rome crisis by the end of next week.

Solidarity trial is postponed

POLAND'S Supreme Military Court yesterday postponed the trial of leading Solidarity underground activist Tadeusz Jedynak who is charged with preparing to overthrow the state by force, the court's secretariat said, Reuter reports from Warsaw.

Mr Jedynak, 37, captured by security forces in June 1985, was a member of Solidarity's underground Provisional Co-ordinating Committee (TKK) and faces up to 10 years in jail if convicted. In the TKK he represented the Silesia mining region.

"I was informed only today that the trial was postponed," Mr Jedynak's wife, Maria, said.

Coking plant closed after cyanide alert

BY OUR BONN STAFF

MILLIONS of fish are feared to have been killed in West Germany's Mosel and Saar rivers in the past few days by cyanide emmissions allegedly from a coking plant belonging to the country's second biggest coal mining group, the state-owned Saarbergwerke.

The Saar flows into the Mosel which, in turn, joins the Rhine at Koblenz. The state governments of the Rhineland Palatinate and the Saarland yesterday ordered people not to swim in the rivers and warned against eating any fish caught in them.

Waste water tests yesterday near the plant showed concentrations of cyanide of up to 190 milligrammes per litre, about 2,000 times the amount considered safe in ordinary drinking water.

The coking plant, which is sited near the river just north of Saarbrucken, has been ordered to close by the Saarland Government.

State officials said an investigation had begun into how the huge cyanide concentrations came to be in the plant's waste water, which it pumps into the Saar. The company said yesterday that there was no reason to believe the emissions came from the plant's waste water.

● The former chief engineer of the Chernobyl nuclear power station has been expelled from the Soviet Communist Party, the Ukrainian party daily said in an issue reaching Moscow yesterday, Reuter reports from Moscow.

Pravda Ukraina said Mr I. Fomin had been expelled for serious mistakes in his work; negligence in providing guarantees of safety; and conducting experiments in the plant's fourth reactor which led to the April 26 accident at Chernobyl.

The paper said the head of the state committee for nuclear safety in the south-west area had been sacked for unsatisfactory control over safety and an "unprincipled, liberal attitude" toward the effects of violations of rules at nuclear plants.

He was identified only as Comrade Zavalnyuk in the article, dated July 27.

The head of the party committee at the Chernobyl plant, named as Mr Parashin, was also sacked

US can check on Afghan troops, says Moscow

THE US would be able to verify that thousands of Soviet troops due to be withdrawn from Afghanistan would not be replaced by fresh forces, Reuter reports the Soviet Foreign Ministry as saying yesterday.

Mr Mikhail Gorbachev, Soviet leader, said in Vladivostok yesterday that six regiments would leave Afghanistan by the end of the year. Western military experts calculated that the six regiments contained a total of about 7,000 troops.

Asked how the withdrawal could be verified as permanent, Mr Gennady Gerasimov, a Foreign Ministry spokesman, said: "This can be verified by national-technical means of monitoring. The Americans rely on such means." He was apparently referring to spy satellites.

Mr Gerasimov declined to say how many troops were involved. Western military specialists say the Soviet Union has built up a force of about 115,000 troops in Afghanistan since it intervened there in December 1979.

Commission's small business plans at risk

By Tim Dickson in Brussels

THE EUROPEAN Commission yesterday waxed lyrical about its plans to help the Community's small and medium sized businesses — but then admitted that it may not have enough money next year to realise its objectives.

Its action programme — designed among other things to improve the legal, fiscal and cultural environment for small companies within the Community and to encourage new entrepreneurs and innovation — was outlined by Mr Abel Matutes, the Spanish commissioner with special responsibility for the sector.

The Commission's ideas, which it says will complement initiatives and polices already under way in member states, include plans to set up offices throughout the Community to disseminate information of interest to small and medium sized businesses, to initiate a Community-wide network of institutes for helping new companies, to promote on enterprise culture at European level, and to encourage entrepreneurs to expand outside their national boundaries.

Already, however, the shadow of EEC budget negotiations has been cast over the programme. According to Mr Matutes, member states are planning to reduce the Ecu 10m (£6.7m) which the Commission is seeking to cover small and medium sized business schemes next year, and the additional Ecu 20m "margin for manoeuvre" which it is hoping to commit to programmes in future years.

Mr Matutes also regretted the reluctance of EEC economic and finance ministers to agree the Ecu 1.5bn fourth tranche of the New Community Instrument—money which would be borrowed in the Community's name on international markets and lent to small and medium sized companies.

● The Commission yesterday agreed to amend the sixth VAT directive to increase from Ecu 5,000 to Ecu 10,000 the maximum turnover level below which member states are allowed to exempt businesses from VAT.

Eta fails to scare away foreign tourists

BY TOM BURNS IN MADRID

THE "Costa bombing" campaign carried out by the Basque Separatist movement Eta, in May and June failted to halt the growth in Spain's tourist industry. More foreigners than ever entered the country during

A report issued by the tourism secretariat on the first six months of this year showed that 16.7m foreigners entered Spain. This was 1m more than over the same period last year and a 7.1 per cent increase.

Income from tourism between January and May rose by 46.3 per cent in dollar terms to $3.5bn. In terms of the peseta which has strengthened against the dollar, the income increase was 20 per cent over January-May last year.

British visitors were the fastest growing national group. A total of 2.5m Britons arrived during the first six months—just over half a million more and a 27.9 per cent increase over the same period last year. Visitors from France, the largest single national group, with 3.8m arriving in the first six months were up by 2.5 per cent and those from West Germany, at 2.1m, were up by 4.8 per cent.

There was a 13.7 per cent increase in visitors during May when Eta bombs exploded in four hotels in Costa del Sol resorts and in a fifth at Benidorm. In June, when eight bombs exploded in hotels, foreign visitors entering Spain were up by 6.4 per cent compared with June 1985.

British visitors appeared to have been the least concerned of all by the highly publicised bombings. In May they totalled just over 690,000. A 47.9 per cent increase on May 1985, and in June they were up by 46 per cent on the same last year.

US visitors, in contrast were down in Spain, as they have been elsewhere in Europe. In the first six months 314,812 visited Spain, 30.7 per cent less than in the same period last year.

Chernobyl hits tourism in Eastern Europe

BY LESLIE COLITT IN BERLIN

THE CHERNOBYL nuclear reactor accident last May has led to a sharp drop in the number of Western tourists visiting the Soviet Union and several East European countries.

The fall compounds the already serious loss in Comecon's hard currency earnings as a result of declining oil prices in the West. Oil is the Soviet Union's leading export earner and an important source of hard currency for East European countries in the form of re-exports of crude and oil products to the West.

Western European tour operators and Intourist, the Soviet travel agency, said bookings to the Soviet Union had dropped by at least 30 per cent since May.

A leading West German tour operator said bookings to Poland were 25 per cent down on last year as a result of the greatly heightened radioactivity in north-eastern Poland in May. Poland said recently that about 35,000 Western Europeans had cancelled holidays in Poland.

Western tourism to East Germany and Czechoslovakia was largely unaffected by Chernobyl, but Hungary reported considerably fewer Western visitors in May and June. Preliminary figures for July were said to be back to normal.

A severe decline in the number of Western visitors to Romania and Bulgaria in recent years was further reinforced by the Chernobyl accident. The damaged nuclear reactor was less than 500km from eastern Romania.

West European tour operators said the number of bookings to Romania had been halved this year. Last year, 78,000 West German and British tour operators said there were widespread complaints last year about bad food and service and the closure of restaurants, bars and discos at 10 pm in order to save electricity.

The drop in tourism comes as Romania's exports to the West have fallen, leading to cash flow problems and a rundown in hard currency reserves.

Bulgaria has suffered a loss of about one-third of its Western tourists this summer. West German travel agencies said this was partly because of reports last May of heightened radioactivity on the Black Sea coast, where most Western tourists stay, but also because of poor standards of service.

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New Zealand plans tough budget to cut internal deficit

BY DAI HAYWARD IN WELLINGTON

Mr Douglas: likely to present two statements

NEW ZEALAND Finance Minister Roger Douglas is expected to impose a hefty tax increase on the price of cigarettes, possibly as much as 50 cents (18p) for a packet of 20, in tomorrow's budget.

Other measures are likely to include a doubling of the TV licence fee to about NZ$90 or NZ$100 and the imposition of higher rents for tenants of state-owned low rental houses.

Taxpayers may be compensated by a drop in the price of petrol—although the cost to the Government of subsidising the production of locally produced synthetic petrol is millions of dollars a year.

Mr Douglas will be struggling to contain the budget deficit to around NZ$2.5bn. His economic planning received a setback just two months ago when it was revealed faulty arithmetic and forecasting by Treasury officials had underestimated the deficit by NZ$1bn.

Mr Douglas will cut government spending by about NZ$300m by replacing government funding of state run organisations such as the Rural Bank and Development Finance Corporation with loans raised on the open market at current market interest rates.

He has already warned several state corporations they must in future go on to the open market to raise the finance they need. Government spending on capital works such as roads and electricity development will be drastically cut back

There will be another major effort to abolish tax reduction schemes created by the former administration of Sir Robert Muldoon. The Labour Government has already removed several of these. Mr Douglas's targets this time may include tax concessions for oil exploration, horse breeding and various agricultural schemes.

In anticipation of the introduction of the goods and services tax in October there could be some earlier removal of remaining sales taxes, which are all due to be abolished in October. There will also be some restructuring of the government debt programme to spread interest payments over a longer term.

Much of the budget will however be a justification by Mr Douglas of his and the Government's economic theories and policies. It is reported Mr Douglas will present two statements on the government deficit. One will show the cost to the taxpayer. The other will show how government economic policies are working and how much lower the deficit would be without the burden of energy projects introduced by the previous government.

Beer and alcohol, normally a favourite target for finance ministers needing to raise extra revenue may escape any tax increase. The big brewery chains hope they have persuaded Mr Douglas it makes more economic sense to reduce the cost of the national health bill by reducing the effects of alcohol abuse than to impose higher taxes on beer.

Pretoria struggles to bring order to black schools

Bernard Simon reports on the upheavals in South African education

CONTINUING upheavals at many black schools in South Africa have heightened concern among the authorities and black communities at the dismal state of the segregated black education system.

In spite of claims that 80 per cent of the country's 1.7m black pupils have returned to school in the past fortnight from the mid-year break, the Department of Education and Training (DET), which administers black education, has admitted that the situation at some schools is chaotic.

DET said yesterday that classes have been "discontinued" at several schools in the Grahamstown and Uitenhage areas of the Eastern Cape after no pupils registered for the new term. Further attempts to open the schools would not be made until early next year.

Security forces have been called in to a number of schools in Soweto and the East Rand, where the authorities allege that outsiders have intimidated pupils and parent committees.

According to one newspaper report, youths have turned one Soweto high school into a Shebeen (liquor outlet) and teachers have been threatened by armed pupils.

Three Johannesburg newspapers devoted their editorial columns yesterday to the plight of black education. Echoing the views of many educationists, the Sowetan said that recent events may "mean that a whole generattion of blacks will be robbed of the opportunity of becoming educated members of the community."

DET said that the authorities are "adamant about asserting normal education," and that troops and police will be withdrawn from schools as soon as calm is restored.

Critics charge, however, that the Government's heavy-handed tactics have undermined its efforts to restore calm and discipline to the country's 7,000 black schools.

Black education groups have accused the authorities of formulating disciplinary rules without consulting them. They are especially angry at an identification system aimed at ensuring that only *bona fide* pupils enter school grounds, but which critics have compared to the hated pass laws, abolished earlier this month.

DET has also threatened not to allow the estimated 300,000 children who failed to return to closses by last Friday to resume their schooling before the beginning of 1987. The reopening of schools was delayed by two weeks earlier this month to give DET time to implement security and disciplinary measures.

The task of restoring stability to the schools is further complicated by the fact that many leaders of the National Education Crisis Committee (NECC), a black community group, have either been detained or have gone into hiding

The NECC has asked for a meeting with Mr Sam de Beer, the deputy minister of education and development aid. Mr de Beer has agreed to meet the committee, but only on condition that the discussions are confined to education matters.

Black education has however, become inextricably linked in the past decade to wider political issues. The inferior system of black schooling, compared to that for whites, is among blacks' most bitter grievances against the present government.

Schools have become a convenient meeting and organising place for much of the political activity in black townships. Some schools have been informally renamed in honour of black political leaders, like Mr Nelson Mandela, and a new form of politically-coloured "people's education" has begun to take root in some townships.

UK-linked groups 'employ 7.5% of S African workers'

BY CHARLES LEADBEATER, LABOUR STAFF

BRITISH linked companies employ 370,000 people in South Africa, about 7.5 per cent of total employment last year, according to a report on British investment in South Africa published yesterday.

By contrast US linked corporations employ around 110,000, whilst companies with West German links employ 65,000, says the report published by the UK Labour Research Department, an independent trade union funded research group.

The report says this matches the role that British companies play in foreign investment in South Africa. British investments account for over 40 per cent of foreign investment compared with an American share of around a quarter, and a West German contribution of 10 per cent.

The study of 281 UK companies with investments in South Africa, shows that as of June last year when the companies last had to report their activities, 58 of them paid some of their workers below the supplemented living level recommended by the EEC.

However, several of the companies breaking the EEC Code of Conduct have made dramatic improvements in the last year. Pritchard Services Group, with 1,860 employees below the recommended level, have since been acquired by the Hawley Group, who plan to sell off the South Africa subsidiary. A senior director from the company will fly to South Africa within the next two weeks to lay plans for the sale.

Pilkington Brothers which has investments in companies which paid 1,299 employees below the recommended level, says it has encouraged its associates and subsidiaries to cut this to 189. In similar vein South African companies linked to BET have eliminated pay rates which break the EEC code.

The Labour Research Department says that 41 British linked companies recognise non racial trade unions, while 11 are negotiating recognition agreements. In 1979 none of the companies recognised non racial trade unions.

The 20 companies most heavily involved in South Africa, have subsidiaries or are associated with companies which employ 295,000 workers, says the report. These include: the country's two largest banks, Barclays National, and Standard Bank; one of the six major mining houses, Gold Fields of South Africa, partly owned by Consolidated Goldfields; the country's largest chemical producer, AECI, in which ICI has a 38 per cent stake; and Pilkington Brothers 48 per cent stake in Glass South Africa.

● A special meeting of the steering committee of the Commonwealth Trade Union Council, which brings together national trade bodies in more than 40 countries representing 30m workers, will meet in emergency session in London this week to discuss the South African crisis.

Supreme Court deals blow to emergency law

South Africa's Supreme Court has dealt another blow to the national state of emergency by quashing the Government's right to delegate powers to local police chiefs, Reuter reports from Johannesburg.

The court decided that Law and Order Minister Louis le Grange could delegate power to the Commissioner of Police Johan Coetzee but the emergency regulations did not entitle the commissioner to delegate powers to a third person.

Car bomb kills 24 in Moslem sector of Beirut

A CAR bomb in a crowded area of Moslem west Beirut yesterday killed about 24 people and wounded 160, Reuter reports from Beirut.

The explosion in the Barbir area near the "green line" divide came 24 hours after a similar blast in Christian east Beirut killed at least 30 people.

Six of the wounded in the west Beirut blast were doctors with clinics in the area.

● The director of the US Central Intelligence Agency, William Casey, visited Syria secretly this month to discuss the release of American hostages from Lebanon, two US newspapers reported yesterday.

The San Francisco Examiner said it learned from an unidentified intelligence source that Mr Casey discussed the hostage release with Syrian President Hafez al-Assad.

But Mr Farouq al-Shara, Syrian Foreign Minister, denied on American television last night that any US-Syrian contact preceded the release on Saturday of Roman Catholic priest Lawrence Jenco.

The CIA would not comment on the report.

The Examiner and The Washington Post said Mr Casey sought Assad's help in gaining the release of all American hostages in Lebanon. Four Americans are believed still to be held.

The Post said Mr Casey also discussed Syrian-Israeli tensions with Mr Assad.

The Examiner said Mr Vernon Walters, the US ambassador to the United Nations, also visited Syria several times and was believed to have had a hand in Mr Jenco's release.

Sudan Prime Minister to meet rebel leader

BY MARY ANN FITZGERALD IN ADDIS ABABA

MR SADIO EL MAHDI, Sudan's Prime Minister, is to meet Col H. John Garang, leader of the Sudanese Peoples Liberation Army (SPLA) that has been waging a three-year war against the Government, the clandestine SPLA radio said yesterday.

An official spokesman for Mr Mahdi, who is attending the Organisation of African Unity heads of state summit in the Ethiopian capital of Addis Ababa, confirmed the talks would take place either today or tomorrow.

The meeting will be the first to take place between an official representative of the Sudan's three-month-old civilian Government and the rebel group.

Earlier this month, Mr Mahdi said that he had gone to great lengths to promote reconciliation with the rebel group from southern Sudan, but that Col Garang had refused to commit himself to attending a Sudanese constitutional conference scheduled for later in the year.

The SPLA is drawn from the non-Moslem southerners who have traditionally been dominated by the Moslem northerners of Arab origin. They are calling for the repeal of Sharia law and greater economic and political participation in the administration.

Fighting around the southern capital of Juba has escalated over the past two weeks. The airport was closed on July 16 as rebels surrounded the town. It was reopened eight days later when the military drove the SPLA back.

The SPLA is trained, armed and backed by the Marxist Ethiopian Government. Diplomats, who say that Col Garang is kept a virtual hostage in Ethiopia, would be unlikely to talk to Sudanese Government officials without Ethiopian consent.

Egypt increases petrol prices by up to 25%

EGYPT raised the price of petrol for domestic consumers by up to 25 per cent, yesterday, one week after it cut prices for crude oil exports, filling station operators said, Reuter reports from Cairo.

Consumers were unaware of the price increase until told by operators at the pumps. Handwritten notices posted at some petrol stations said prices went up at midnight by order of the Ministry of Petroleum. Ministry officials declined to comment.

The price of low-grade petrol rose 25 per cent to 25 piasters (18 cents) a litre and premium grade by 20 per cent to 30 piasters (22 cents) a litre.

In a similar unannounced move last year, the Government raised petrol prices by up to 33 per cent.

The Government generally tries to avoid publicity for domestic price rises, apparently for fear of a repeat of bloody 1977 riots that forced the late President Anwar Sadat to reverse cuts in government subsidies on consumer staple products.

Egypt, hard hit by a slump in world oil prices, last week slashed prices for its crude in July by about $4 a barrel, or 36 per cent, in a bid to maintain exports.

Oil sources said these had fallen 100,000 barrels per day (b/d) from 300,000 b/d in the first quarter of the year.

Officials have said Egypt stands to lose more than $1.2bn in oil revenue this year.

AMERICAN NEWS

Brazil seeks to limit debt service to 2.5% of GDP

BY IVO DAWNAY IN RIO DE JANEIRO

BRAZIL has given notice that it will seek to restrict its payments of foreign debt to 2.5 per cent of the country's gross domestic product (GDP) next year in order to meet a national growth target of 7 per cent.

For 1988, the Brazilians want to contain their debt servicing bill to 2 per cent of GDP, which this year should total some $240bn (£162bn).

The new targets were divulged by Mr Dilson Funaro, the Finance Minister, in the wake of the Government's fiscal and development packages, presented last week. If achieved, they would make a further Cz 70bn (£3.4bn) available to the Government to finance an ambitious programme of development schemes.

Economists in Brazil do not believe the Minister's statement indicates a unilateral threat to impose a rigid ceiling—like that sought by Peru last year—on debt servicing liabilities.

"The Minister wants to negotiate in the international financial market," an aide said yesterday. "Everything above 2.5 per cent of GDP falling due next year, will be covered with new money or refinancing."

The planned limitation on servicing payments was being interpreted in Brazil as the first signal of its negotiating stance in talks due to start in the Autumn on a multi-year rescheduling. Last week, foreign banks began signing a new accord on the rescheduling of $31bn in debt service payments, incorporating a restructuring of 1985 liabilities and a roll-over of those for 1986.

Exactly half of this sum was allocated to an extension of trade and interbank lines.

The financing costs of Brazil's $104bn foreign debt this year are estimated at some 4.6 per cent of GDP, a fall on last year's 5.1 per cent. The exact cost of debt service depends on fluctuations in the London Interbank Offered Rate (Libor). Each 1 percentage point fall in Libor knocks about $1bn off Brazil's debt bill.

The ambitious objectives of the Government's three-year targets announced last week were originally costed at some Cz 515bn in new money, to be held by a new National Development Fund.

In a report at the weekend, a planning ministry official claimed that the new system of "compulsory loans" to be paid on purchases of cars and fuels would raise only Cz 225bn over the period. Public reaction to the plan has been more positive than was first expected, however.

Opinion polls published at the weekend showed that some 84 per cent supported the Government's strategy, though in the key industrial region of Sao Paulo support dropped to just under 50 per cent of those questioned.

Ortega calls on UN to back World Court ruling

BY OUR UNITED NATIONS CORRESPONDENT

PRESIDENT Daniel Ortega of Nicaragua appealed to the UN Security Council yesterday to endorse last month's ruling by the World Court that the US violated international law by seeking the downfall of his government through its support for the anti-Sandinista insurgents.

At the end of a three day effort in New York to muster support for his cause through the media as well as religious groups, Mr Ortega warned the UN that failure to abide by the court verdict would open the way to military escalation and a possible generalised conflict in Central America.

He said international law itself was threatened and the Security Council had a primary duty to defend it. The US has rejected the June 27 court ruling which Mr Ortega described as "virtually unanimous."

The Nicaraguan leader condemned the recent congressional decision to provide the Contras with $100m in mostly military aid, but he did not ask the Council to censure the US.

"We do not want confrontation," he said. "We have not come to the Council to cast insults against the US Government, but to seek peace and respect for international law."

There was an opportunity for Washington to reconsider its policies and bring its conduct in line with the principles of international law, he said. It was not too late to find a peaceful, honourable solution to their differences.

Meanwhile Nicaragua has taken neighbouring Honduras and Costa Rica to the World Court seeking a ban on anti-Sandinista rebel activity launched from their territory.

The Sandinistas accuse the Honduran military of participating in armed attacks against Nicaraguan territory, as well as assisting Contra rebel attacks. They charge Costa Rica with failing to take action to halt Contra activities from its territory which have been increasing in scope.

Argentina and Soviet Union in fishing pact

By Tim Coone in Buenos Aires

ARGENTINA and the Soviet Union have signed an outline fishing agreement regulating the Soviet catch in the south west Atlantic. It includes the waters around the Falkland Islands.

Further details are expected to emerge later in the week but the agreement permits a fixed number of Soviet trawlers to fish anywhere within Argentina's 200 mile exclusive economic zone south of the 46th parallel. In return the Soviet fleet will purchase up to 30 per cent of its total take home catch from Argentinian trawlers and will include up to 10 per cent of Argentinians in its crews.

The agreement also marks an important diplomatic advance for Argentina as it takes in the fisheries around the Falkland Islands, from which all Argentinian trawlers and ships have been excluded since the 1982 war with Britain for the islands.

The lack of control over fishing since then has raised international concerns that fish stocks are being rapidly destroyed in the region. Britain wishes to see a multilateral fishing agreement reached,

Pressure mounts in Senate on sanctions

BY REGINALD DALE, US EDITOR IN WASHINGTON

THE US Senate Foreign Relations Committee yesterday took up a package of new US economic sanctions against South Africa, designed primarily to put pressure on the country's white government without doing too much damage to the black majority.

The measures, introduced by Sen Richard Lugar of Indiana, the committee's Republican chairman, go much further than the limited new steps currently being considered by President Ronald Reagan. They reflect mounting congressional dismay at the Administration's unwillingness to take tough action.

The package may well be stiffened in its journey through the Senate, where it could arrive on the floor by the end of the week. If adopted by the full Senate, it would then almost certainly be further strengthened in conference negotiations with the Democrat-controlled House of Representatives, which has already passed a bill severing virtually all US commercial links with South Africa.

The immediate prospects for a Senate vote, however, were still uncertain yesterday, as tactical manoeuvring continued. Liberal Democrats are seeking to attach a version of the House bill as an amendment to legislation raising the national debt limit, currently on the Senate floor.

If that were to happen, Sen Robert Dole, the Republican majority leader, has said that he will first bring up Mr Reagan's plan to supply $100m in US aid to the Nicaraguan Contra rebels, which a group of Democrats has threatened to filibuster. Mr Dole's plan could make sanctions hostage to the Contra aid, which most Democrats oppose.

As it now stands, the package before the committee would:

- Ban imports of South African steel, uranium, cement and aluminium.
- Withdraw US landing rights for South African Airways.
- Direct the State Department to stop issuing visas for travel to the US for employees of the South African Government and government-controlled industries, and revoke such existing visas.
- Authorise Mr Reagan to sell off US gold reserves to depress the world gold price—although Mr Reagan would be most unlikely to use such authority, and officials doubt whether the US has enough available gold to affect the world price.
- Block US bank accounts of Government and state-controlled company employees and freeze the US investments of such companies.
- Prohibit any new investment in South Africa by US companies that do not adopt the so-called Sullivan principles aimed at giving equal treatment and wages to black employees. To this might possibly be added a total ban on new investment.
- Provide for penalties against companies that take competitive advantage of the sanctions at the expense of US corporations.

Robert Graham explains President Garcia's balancing act on international debt

Peru puts its creditors' patience to the test

PRESIDENT ALAN GARCIA has got away with his highly individual approach to servicing Peru's $14bn (£9.45bn) foreign debt for a year now. The amount allowed for the servicing of all public sector medium and long term debt has been limited unilaterally to the equivalent of 10 per cent of the country's exports.

On Monday, celebrating his first anniversary in office, the 37-year-old president, Latin America's youngest leader, declared that this policy would be extended for another year.

At the same time, he said the same rule would apply to nearly $2bn of private sector debt and that profits and royalties of foreign companies would be subjected to unspecified curbs lasting two years.

While this is bound to test further the patience of Peru's international creditors, it has scarcely come as a surprise.

Peru's terms of trade have deteriorated sharply this year as a result of the fall in the price of oil and stagnant prices for minerals like copper, lead and zinc. With oil and mineral sales accounting for 80 per cent of exports, the 1985 trade balance of $1bn could be halved.

When he took office, Mr Garcia pointed out that on paper, Peru had to repay $3.7bn in 1985 on projected export earnings of $3bn. This year, adding on debt arrears, the theoretical debt service is closer to $4bn, yet export earnings will be no more than $2.5bn.

The international financial community has been antagonised by the loud and arrogant way President Garcia made his stand. In practice, he was merely formalising the slippage

in payments that had occurred during the latter stages of the Belaunde administration. Indeed, his private message has since been toned down to a basic: "We will pay what we can."

Peru has thus attempted to remain on speaking terms with institutions like the International Monetary Fund, the World Bank and the Inter-American Development Bank, and has also kept up short-term credit payments for essential trade.

In the past 12 months, the government has repaid some $330m in medium and long term debt, a marginally better record than the Belaunde administration.

In April, President Garcia managed to avoid a showdown with the IMF by paying $34m on arrears of $134m, and commercial banks received $17.7m, their first payment under the present administration. To this can be added service in cash and goods of over $1.3bn of debt to the Soviet Union for earlier military purchases. Overall, the 10 per cent ceiling has been extended.

The main interest now focuses on how President Garcia intends to tackle the IMF. He has been given until August 15 to clear up overdue interest payments to the fund or risk Peru becoming the first Latin American country to be declared ineligible for further loans.

The April part payment of arrears suggested then that Peru was anxious not to burn its bridges with the fund, since this would quickly affect its standing with the Inter-American Development Bank.

With foreign reserves at $1.3bn, Peru can pay the fund. But the public posture of President Garcia, casting the IMF as a villain over Latin American debt, makes it unlikely that full settlement of outstanding arrears will be offered immediately.

While being capable of pragmatism, President Garcia is prone to impulsive gestures. Last August, without warning, he rescinded the operating contracts of three foreign oil companies—one, Belco, has since been nationalised, and no compensation has been paid for its book assets of $400m.

This incident frightened foreign investors and has done long-term damage to the prospects of the Peruvian oil industry, vital for future foreign exchange earnings.

In limiting foreign debt service, President Garcia has sought to build up reserves and use the funds due for debt service, to finance investment and raise basic wages. This boost to domestic demand has been backed up by a frozen exchange rate, higher import tariffs to encourage import substitution and a price freeze.

The policy has been successful to the extent that industrial capacity is better utilised, the recession has been turned into growth of 3.5 per cent and inflation has come down from over 200 per cent to 70 per cent.

However, the government seems undecided on how to continue, especially now that this year's export performance is going to be so disappointing.

The budget deficit has grown and could be close to 11 per cent of gross domestic product this year. Reserves are being used up to pay for imports even without worrying about debt service, and politically it will be hard to start applying the brakes to domestic demand.

Inflation is edging up again and is now probably beyond 6 per cent a month, with a good deal of concealed inflation because of price controls and the ever present effects of the parallel economy nurtured by drug money. Furthermore, the fixed exchange rate policy cannot be retained indefinitely.

President Garcia's own position remains exceptionally strong. Opinion polls show that he commands overwhelming popular support.

He is recognised as having provided much needed leadership and integrity after the drift and corruption of the previous administration. He has not flinched from taking difficult decisions, such as cracking down on corruption, sacking incompetent military and police officials and waging a war on the drug barons (coca paste sufficient to produce 18 tonnes of cocaine have been seized). Even his opponents concede that he has stopped the country's slide towards anarchy.

He has managed to shake off the potential damage of the June 18-19 riots in three Lima jails which resulted in 250 prisoners dead, at least 100 of whom were killed by the security forces.

But the jail killings underline that President Garcia has still failed to make inroads in his campaign to suppress the fanatical maoist guerrilla group, Sendero Luminoso (Shining Path). Since February, Lima has been under military control with a state of emergency suspending key constitutional rights. But Sendero continues to be active in bombings, assassinations and robberies, and has sapped some of the government's confidence.

WORLD TRADE NEWS

Lisbon relaxes rules on foreign investment

BY DIANA SMITH IN LISBON

PORTUGAL HAS issued a long-awaited foreign investment code to replace the bureaucratic system of prior authorisation with a simpler mechanism.

The new code is part of the country's adaptation to EEC principles. Portugal has seven years before it must grant full freedom of establishment and movement for EEC capital.

This year, EEC investments of less than Ecu 1.5m ($1.3m) will be automatically approved, and this figure will increase by 20 per cent a year until 1993 when full freedoms will be applied to capital of EEC origin whatever the amount.

From now on, an applicant may send a request for investment to the Foreign Investment Institute. If the institute does not refuse within 60 days, the applicant may assume that the request has been approved and may go ahead.

Repatriation of profits, dividends and the proceeds of sale of investment are free once local taxes have been paid, and they are authorised by the Bank of Portugal. The bank now has 30 days to give its opinion on exchange transactions covering foreign capital. The operation can be assumed to have been approved if nothing to the contrary has been heard within 30 days.

The foreign investment code, which has been promised since November 1985, puts an end to nine years of often oppressive red tape that led to difficulties in negotiating major foreign investment in Portugal. Deals which should have taken weeks sometimes took more than two years.

Because of the EEC accession, Portuguese officialdom had to limit its urge to control the size and type of foreign investment in the country. The only areas now off limits to foreign capital are the arms trade and sectors that might, in the words of the code, be harmful to public health or public safety.

Brazilians hurry to sieze EEC advantage

BY OUR LISBON STAFF

BRAZILIAN BUSINESSMEN have quickly realised the advantages Portugal offers them as a new EEC member. They are rushing to set up joint ventures with Portuguese manufacturers to finish goods in Portugal, and more than 100 proposals for joint ventures are now being negotiated.

The main areas include tropical juices, cosmetics, domestic appliances and data processing. In the clothing sector, Brazilian producers will join forces with manufacturers in northern Portuguese textile towns to make fashion goods, with Brazilian raw materials and designs and Portuguese manufacturing and marketing.

In recent years, Brazilian textile and clothing industries have mushroomed, while Portuguese textiles and clothing have established a highly competitive name for themselves in the EEC and US.

Portugal and Brazil have for decades officially promised to increase trade and industrial relations but business response has been sluggish.

A further opportunity for Brazilian penetration of Europe via Portugal is being offered by the new free industrial zone in the Azores.

Ruling sought on beef export dispute

By Tim Dickson in Brussels and Robert Gibbens in Montreal

THE European Community has asked the Geneva-based General Agreement on Tariffs and Trade to sort out a dispute over Irish and Danish beef exports to Canada.

The initiative follows a ruling last week by Canada's imports tribunal that the exports were likely to harm the country's interests, notably those of the depressed western provinces. As a result, stiff duties on community beef shipments have been imposed, in effect halting the 11,000 tonne per year annual trade. The countervailing duty has been set at 81 cents on Irish beef and 69 cents on Danish, compared with a wholesale price for the meat of only C$1.22 a pound.

At issue is Canada's claim that EEC subsidies on the meat are causing the damage —an allegation which is rejected in Brussels. Community officials are also disputing whether the Cattlemen's Association, which brought the complaint in the first place, fully represents the producers in accordance with Gatt rules.

Australian and New Zealand exporters support the Canadian position because they have lost most of their Canadian market share to Europe since 1980. European exports to Canada increased substantially between 1980 and 1984 (when they reached 40,000) but have declined since.

The EEC complaint is being made to the Gatt committee on subsidies and countervailing duties. At this stage a consultation procedure is under way but a panel procedure may be started later.

Canada and US in wheat export talks

US moves to extend subsidised wheat exports to the Soviet Union and China and US trade protection were topics raised when Canadian and US negotiators started a second round of exploratory talks yesterday, Robert Gibbens reports from Montreal.

The talks focus on specific problem areas following exploratory sessions in May in Ottawa

France bends on Gatt farm issue

BY WILLIAM DULLFORCE IN GENEVA

FRANCE HAS softened its position on agriculture but officials in Geneva drafting the declaration with which trade ministers should launch international trade negotiations have still not resolved their differences over how trade in farm products is to be handled in the talks.

With time fast running out before the July 31 deadline there is now a possibility that the ministers will be presented with two conflicting drafts or with a text heavy with alternatives when they meet at Punta del Este, Uruguay, on September 15.

The effort spent on agriculture has overshadowed the other unresolved issue of how to conciliate hard-line developing countries, such as Brazil and India, which oppose the inclusion of trade in services and other "new" issues in negotiations to be held under the auspices of the General Agreement on Tariffs and Trade (Gatt).

Last week Mr Michael Samuels, the deputy US trade representative, charged that the European Economic Community was blocking the way by refusing to accept any reference to farm export subsidies in the declaration. The EEC position was dictated by France.

After a meeting lasting into the early hours yesterday the EEC accepted a wording on trade in agriculture for inclusion in the declaration which was thought to be agreeable to France.

But French acceptance depends on leaving out a phrase on "the phasing out in an agreed timetable of export subsidies" to which Australia and some other agricultural exporting countries attach importance. Another late-night tussle over the farm trade issue was scheduled to take place last night.

The major traders, the US, the EEC and Japan, continue to hope that most Gatt member countries will rally round the draft declaration tabled by Switzerland and Colombia. This attempts to marry industrial and developing country interests and includes (within brackets) texts on how issues such as trade in services, intellectual property and trade-related investment can be dealt with in the negotiations.

Thailand meeting in veiled boycott threat

BY PETER UNGPHAKORN IN BANGKOK

TWELVE countries from five continents meeting in Thailand have sent a clear warning to the leading industrial nations that unless the proposed new round of multilateral trade negotiations gives priority to agriculture, they could boycott the talks.

The 12 were careful not to mention the word "boycott," preferring instead to say that they would "seriously question the value of participating" if agriculture were not given priority. But the implication of last week's message is the threat of a boycott. The new round is due to start in September at the ministerial meeting of the General Agreement on Tariffs and Trade in Punta del Este, Uruguay.

The 12, who describe themselves as "non-subsidising agricultural producing countries," have suffered declining export earnings as a result of the EEC's Common Agricultural Policy (CAP) and, more recently, US farm legislation designed to win back markets the US claimed it has lost as a result of EEC export subsidies. They also complain about protectionist barriers in Japan, and policies in European countries outside the EEC.

But it is the EEC and the US which are most severely criticised for subsidising production and exports, leading to surpluses on world markets for rice, sugar, wheat, beef and dairy products, and to low prices. The 12 are critical, too, of the CAP's import barriers.

During last week's three-day meeting, senior officials from Argentina, Australia, Brazil, Canada, Chile, Hungary, Indonesia, Mayalysia, New Zealand, the Philippines, Thailand and Uruguay were careful to avoid subjects on which they disagree —particularly whether the new round should cover banking, insurance and other services; investment; and patents, copyrights and other "intellectual property rights."

Delegates hailed the event as the first time the international agricultural lobby outside the US and EEC had combined to defend their agricultural interests before a new GATT round.

The 12 said they would seek the reform and liberalisation of agriculture in bilateral and multilateral contacts with the major industrial countries. The main focus would be within Gatt but other international bodies would also be used.

They said the new round would have to give a high priority to agriculture, which would have to be approached comprehensively. The launching declaration would have to "contain clear and unequivocal commitments to liberalise access to markets, including both tariff and non-tariff barriers." Protectionism and subsidies would have to be phased out with preferential treatment given to developing countries. Gatt rules would have to be strengthened and made effective through surveillance and dispute settlement.

The group having established its solidarity on agriculture, will now have to work on its differences, mainly regarding the treatment of services and other new Gatt issues in the new round.

Countries such as Thailand are not so strongly opposed to discussing topics as services, because they see the prospects of their own banks and other service companies expanding overseas.

Thailand's normally good diplomatic relations with the US have been strained because of the introduction in April of the new US Farm Bill.

Although the bill is described as a reaction to the Common Agricultural Policy, its rice provisions were aimed mainly at Thailand which is now the world's largest rice exporter.

This has caused resentment in Thailand because of the $1,000m being spent annually to subsidise US rice farmers and to lower US export prices. Thailand strongly denies that it subsidises its 30m farmers.

Hungary leases more western machinery

HUNGARY is stepping up the leasing of western industrial machinery and equipment in the face of a severe hard currency shortage, Leslie Colitt writes from Berlin.

In the five-year plan ending 1990, western machines and equipment worth $500m (£337.5m) are to be leased on a basis of import permits which are related to the level of hard currency receipts. The permits will be granted through competitive bidding.

Last year Hungary leased machinery worth $100m in all sectors of industry.

The Hungarian National Bank and the Hungarian Foreign Trade Bank have been allowed to purchase machines from their own funds in order to promote leasing. Machinery has been leased to Hungarian companies with the help of the Hungarian International Bank in London and Centropa, the Vienna subsidiary of the Foreign Trade Bank. A leasing subsidiary of the Vienna-based Central Wechsel und Kreditbank, in which Hungary is a shareholder, is also to undertake Hungarian leasing transactions.

Leasing is attractive to Hungarian companies because as well as saving hard currency, such operations do not affect profits. Hungarian companies pay nearly two-thirds of their profits in taxes.

In addition, payments for the machines are scheduled according to the income received during their operation. Since last year, Hungarian companies have also been able to purchase leased machines imported at a lower customs tariff.

Fibre talks stalled on two key issues

By Anthony Moreton in Geneva

A SMALL group of countries has been set up to draft a protocol for the extension of the Multi-Fibre Arrangement, which expires at midnight on Thursday.

The group, to be chaired by Mr M. G. Mathur, deputy director general of the General Agreement on Tariffs and Trade, includes the EEC, the US and half a dozen of the leading producer countries such as Hong Kong and South Korea.

Two key issues now divide the low cost producers and the western importers: how to combat sudden surges in imports; and what to do about new fibres.

Discussions on the present extensions have been thrown into some disarray by the US's insistence on including all fibres within the MFA for the first time.

This was originally thought to mean the inclusion of ramie, a linen-like fibre, the linen itself and silk, but it is now clear that the US wants to include jute, sisal and all other vegetable fibres within the MFA both for use in apparel and household textiles.

This proposal has brought strong opposition from China, the main producer of ramie, as well as Pakistan, where jute is an important product.

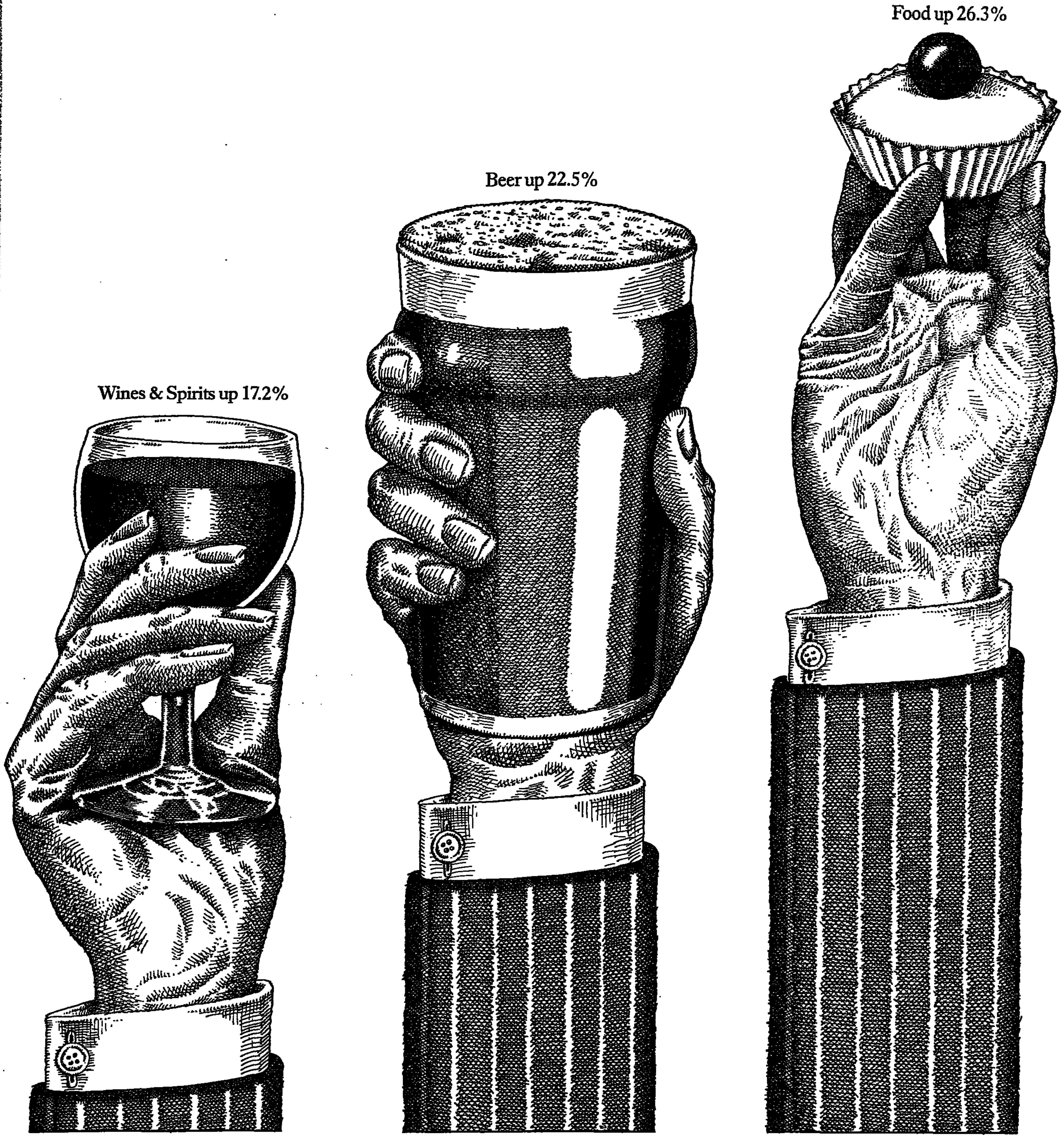
The MFA governs about 80 per cent of world trade in textiles and clothes. It was introduced in 1974 to allow western industry time to reorganise in the face of increasing competition from Third World countries and was subsequently extended in 1978 and 1982.

Turkish airline orders Airbus

TURKEY'S national airline Turk Hava Yollari (THY) has ordered three A310-300 wide-bodied passenger aircraft for delivery early in 1988, Reuters reports from Paris.

The order is believed to be worth about $150m.

The extended-range aircraft will join the seven A310-200s in service with THY, providing increased overall capacity and the means to serve new long-range routes.


Wines & Spirits up 17.2%
Beer up 22.5%
Food up 26.3%

UK NEWS

Coal industry forced to extend break-even date

BY LUCY KELLAWAY

THE NATIONAL Coal Board (NCB) has abandoned its target of breaking even this financial year, and now hopes to emerge in profit by 1988, Sir Ian MacGregor, chairman said yesterday.

Speaking at a press conference for the publication of the 1985/86 accounts, Sir Ian said that recent financial progress would "be difficult to continue." In the year to March 1986, the NCB made a loss of £50m, its best performance for seven years.

He said that since year-end the twin effects of the fall in the oil price and intensifying competition from imported coal were putting pressure on the NCB to sell its coal at increasingly competitive prices.

Such pressure was reflected in the five-year deal signed last month with the Central Electricity Generating Board (CEGB) under which the cost of coal to power stations is reduced by about £3 a tonne. Sir Ian said that this deal would cost the board between £200m and £300m a year, which it hopes to recoup over the next 18 months through further reductions in operating costs.

However, he indicated that the NCB's revised budget could be thrown off course again if oil prices fell sharply from the present level of about $10a barrel. This could lead to the renegotiation of the CEGB contract.

The industry achieved large cost savings in 1985-86 mainly by cutting the workforce from 220,000 to 180,000. Since 1983 it has reduced costs by £1.25bn. As a result, last year the NCB made an operating profit of £535m, the first surplus since 1980.

However, the reported figure has been enhanced by an accounting adjustment of £342m, which has been added to last year's result and relates to an over-generous provision for the costs of the miners' strike made in the previous year's accounts.

Mr Arthur Scargill, president of the National Union of Mineworkers, yesterday said that Sir Ian had "cooked the books"

Sir Ian, who retires as chairman next month, said that despite the intense competition within the industry, he was handing over "with some optimism" to his successor, Sir Robert Haslam.

"When I joined the industry in 1983, we were mining coal from many hopeless pits with very high costs, and unsold coal was piling up at the pitheads. Our stocks are now reduced to the lowest level for 11 years and we are achieving significant reductions in costs of production.

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Closure threat to 2,500 at BAe

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

UP TO 2,500 jobs may be lost as a result of a decision by British Aerospace (BAe) to close the manufacturing and engineering side of its factory at Weybridge, 17 miles south-west of London, where parts are made for Airbuses and military aircraft.

BAe said there was a need for rationalisation and for cost cuts in order to increase the company's competitiveness in world markets. Weybridge had been underloaded for some time and was, therefore, a high-cost site.

There was no other work that could economically be transferred into it from other BAe factories, and the investment needed to modernise the factory could not be justified.

Weybridge has been making parts of wings for the European Airbus, bus has mostly been involved on parts for Tornado and Hawk military aircraft. BAe will retain part of the site for its corporate headquarters, and also as the headquarters of the military aircraft division, while some civil aircraft design and support work would also be retained. In all, about 700 personnel will stay at Weybridge.

The Weybridge cuts will cut BAe's total manpower to 72,500. A total of 11,500 jobs have been axed in several stages since 1981, and as far back as last August, Sir Austin Pearce, chairman, was hinting that more cuts were possible this year.

Trade union representatives were sceptical yesterday of BAe's ability to find many alternative jobs locally for the surplus employees. Manufacturing industry in the Weybridge area is limited, and it is feared that many of the alternative sources of employment BAe hopes to find do not exist.

Some union officials were also critical of the way that BAe had allowed Weybridge to run down in recent years, instead of pumping in new investment to keep it up to the standards of other BAe factories.

Mr Chris Darke, national organiser for Tass, the manufacturing union, said that BAe had earned £150m before tax in 1985, 25 per cent up on 1984. "The board of BAe should invest this money in plants like Weybridge and not cut and run."

Union plan to donate pay for famine aid

LEADERS of the Amalgamated Engineering Union are proposing a novel form of charitable aid by suggesting that all engineering workers give an hour's pay for African relief – and that employers in the industry match all donations with the aim of raising about £6m, Philip Bassett writes.

The AEU's unusual move both marks the impact of Mr Bill Jordan, the union's new president, and is a further indication of the novel methods such as charity and sports sponsorship which unions are starting to adopt to try to improve the often negative image of British trade unionism.

The proposal is expected to be approved tomorrow by the executive of the Confederation of Shipbuilding and Engineering Unions, and will then be put to the Engineering Employers' Federation.

□ A HIGH COURT judge overturned an Equity ban on its members performing in South Africa, which was imposed after a union secret ballot earlier this year. The judge found in favour of former union president Marius Goring, who argued that the ban was void because the actors' union rules did not authorise such instructions.

□ OIL OUTPUT from the UK sector of the North Sea has reached its lowest point in three years, according to the Royal Bank of Scotland monthly index. The index, produced with BBC Radio Scotland, said that the value of Britain's daily production in June fell by £8m to just over £17m. This is less than a third of the value last November.

□ BRITISH AIRWAYS is to introduce a new one-stop service between London and Sydney from October 29, with Bangkok the only stop en route Hitherto, all BA flights to and from Sydney have made two stops.

□ MOBIL OIL has reached a productivity deal with its petrol tanker drivers providing for basic rate increases of 20 per cent which will push drivers' average earnings up to almost £17,700. Details of the Mobil deal come in the wake of a similar productivity agreement by BP Oil for its drivers, which in return for voluntary redundancies provides for a cut in hours and for basic pay increases of up to 35 per cent.

Anger over Lawson veto on City post

By Clive Wolman

AN INTERVENTION by the Chancellor, Mr Nigel Lawson, to block the appointment of one member of the nascent City regulatory body, the Securities and Investments Board (SIB), on political grounds has infuriated officials in Whitehall, the Bank of England and the SIB.

Mr Lawson's intervention has raised doubts about the independence and autonomy of the SIB, despite Government assurances that it is to operate a non-political private sector body.

Earlier this month, Mr Michael Howard, the corporate and consumer affairs minister at the Department of Trade and Industry, approached the potential member, Mr John Kay, who is the current director of the Institute for Fiscal Studies, an independent think-tank which has been strongly critical of Government tax policy. "I was asked whether I would be interested in being a member of the SIB and I said I would," Mr Kay said yesterday.

Mr Howard won approval for the appointment from the Bank of England which has the right to veto any appointments to the SIB. The Bank was given an equal role with the DTI in the appointment of board members as a safeguard against politicisation.

However, Mr Howard was then overruled by Mr Paul Channon, the Trade and Industry Secretary, following an intervention by Mr Lawson.

Mr Lawson has apparently been riled by the strident, and always well-publicised, criticisms of the flaws and inconsistencies in Government tax policy made by Mr Kay and the IFS.

Accountant serves company deal to sport's richest woman

BY FIONA THOMPSON

A LONDON chartered accountant yesterday lobbed a backhand shot at the richest woman in the world of sport. Mr Stephen Bland has, somewhat audaciously, offered *Martina Navratilova first shout to* buy the whole of the issued share capital of Martina Navratilova Ltd, a private company incorporated earlier this month.

Bar her name, the company has no links whatsoever with the tennis superstar. A small ad in yesterday's Financial Times announced the sale of the company, which has never traded, and invited offers to Stephen Bland.

Mr Bland refused to divulge the identity of his client or the amount of money the mystery owner hopes to net from the sale. Such is his client's concern for confidentiality that when lodging the application to register the name at Companies House, Mr Bland designated himself as director and he and his wife *Daniela as the two obligatory* shareholders.

"It's a speculative venture. My client's taking a gamble, trying to capitalise on Navratilova's name," Mr Bland admitted, while emphasising that it was all completely legal. There was no obligation to approach Miss Navratilova for permission. "If there was anything underhand we wouldn't have acted," he said.

On instructions from his client, Mr Bland approached Miss Navratilova's agent, International Management Group (IMG), to alert them of the sale. "They have said they will consider it. I spoke on Monday to someone who wanted full details... "I wasn't speaking to the doorman."

Mr Joe Dreher, speaking from *IMG's* head office in Cleveland, Ohio, disclosed that he was the person Mr Bland had spoken to, but wanted to say very little else. Any decision was not his to take.

The Registry of Companies, in Britain, part of the Department of Trade and Industry, confirmed yesterday that there was indeed nothing illegal about registering a company in the name of a well known person without their permission. There were, however, certain restrictions on the use of names beyond the obvious one that a name was already being used.

Komatsu names nine European suppliers for assembly plant

BY NICK GARNETT

KOMATSU, the Japanese construction equipment maker, has named nine suppliers which will provide components for the wheel loaders and excavators the company will begin assembling next year at its plant at Birtley, near Newcastle, in north-east England.

The contracts are worth £6.5m a year in total, split between seven UK companies and one company each in West Germany and Italy. A number of other suppliers are likely to be announced within the next few months.

Components sourced from within the EEC will include seats from the UK subsidiary of the West German company Isringhausen, metal tracks from Intertrack of West Germany, wheels from Steel Stamping and undercarriage parts – the roller assemblies on which the tracks run – from Italtractor in Italy.

Komatsu repeated yesterday that it intended reaching a 60 per cent local content at the start of commercial production, rising to 70 per cent in two years and 80 per cent within five years.

The Federation of Manufacturers of Construction Equipment and Cranes opposed the granting of £2.4m of Government assistance to Komatsu's £12.5m production project in Tyne and Wear.

European construction equipment makers have been sceptical that Komatsu, the world's second biggest producer of construction equipment after Caterpillar of the US, will adhere to local content arrangements.

Komatsu is still in discussions with the Department of Industry about the value of local content and clearly intends to use as broad a definition as possible. Engines, much of the electrics and many of the principal forged components for the 2,400 mid-weight excavators and wheel loaders the company expects to be assembling annually by 1988 will be sourced from Japan.

Other suppliers announced by Komatsu yesterday include BP for lubricant and hydraulic oils, McPherson Industrial Coatings for paint, Aeroquip UK and Winster Hose for hydraulic hoses, and Roballo Engineering, which will make the slew ring bearings on which the excavator turns above its chassis. National Standard will also supply welding wire used in the construction process.

Komatsu also announced that a number of EEC companies would begin supplying the company's plants in Japan. Potential exports from EEC companies to Komatsu's domestic manufacturing operations totalled £15m to £20m, the company said.

So far National Standard has been accepted as a supplier of wire to Japan, but Komatsu says sourcing from the EEC is likely to also include wheels, slew ring bearings, hydraulic hoses and cab heaters.

The Birtley plant, which is expected to employ 270 by next year and more later, producing a yearly turnover of £100m, will manufacture the track and rotating frames for the excavators and the chassis frame for the wheel loaders. The company has not ruled out the assembly of other products in its range at a later date.

Komatsu says 80 per cent of Birtley's output will be exported. Nevertheless the construction equipment industry believes that the company, which decided to set up in the UK after its excavators were subjected to 26.6 per cent EEC anti-dumping duties, could raise its UK share market share of excavators from 8 to 13 per cent and for wheel loaders from 4 to as much as 20 per cent.

Plan to control City criticised

BY NICK BUNKER

FEWER THAN a fifth of London's leading international securities and investment houses believe that the Financial Services Bill will provide a good, workable framework for regulating the City, according to a survey.

Researchers commissioned by Deloitte Haskins and Sells, the accountancy firm, found a wide range of criticisms of the bill, which is to enable self-regulation of the UK's financial services sector when it becomes law next year.

They interviewed this month top executives at 59 institutions, including 41 commercial and investment banks and 17 securities houses.

The survey quotes comments that the bill was "badly-drafted, ill-conceived," "poorly thought out and a ridiculous hash," "overkill", "shows a lack of understanding of overseas markets", and was creating "chaos and uncertainty."

Half of the businesses interviewed said the bill would give excellent or good protection for private investors. But only 29 per cent felt it would do the same for business and their professional clients, while 51 per cent said professional investors would receive only fair or poor protection.

One executive said the bill's "fundamental flaw" was that it was "designed for the Aunt Agathas and not for the professional investor." Seventy-two per cent of respondents said it would do only a fair or poor job of providing a workable regulatory framework, while 19 per cent said it would do a good job and none said it was excellent.

Two thirds did not expect the bill to restrict their operations unduly, but a clear majority felt it would yield no particular benefits to themselves (67 per cent) or to their clients (60 per cent).

Nearly half said the legislation could have a bad effect on relationships with clients.

Regulation and the Financial Services Bill. A City Research Associates Survey. £65, from publications department, Deloitte Haskins and Sells, 128, Queen Victoria Street, London, EC4P 4JX.

TECHNOLOGY

Cheap way to put callers in the picture

By Louise Kehoe in San Francisco

"CHEAP and practical" is not a description that applies to many new high technology products. But for Image Data Corporation of San Antonio, Texas, it is the key to a strategy of providing the advantages of videotelephone technology at a price and performance level of broad appeal.

The "Photophone," Image Data's first product, does not provide the live-action video images of an elaborate satellite-linked videoconference system, but it is capable of transmitting crisp, black and white "snapshot" images over normal telephone lines at a cost of only $8,550, or $300 per month rental. This compares with typical teleconference installation costs of $250,000 per site and $1,000 per hour transmission time costs.

Videotelephone users often do not need, or even want, to look at pictures of each other talking, according to Image Data marketing vice-president Gerard Cullen. But a lot of businesses can benefit from the capability of sending images by phone.

Examples range from sharing an image of a medical X-ray or sending a picture of a product prototype that needs to be modified, to transmitting charts and plans.

About the size of a television set, with a nine-inch screen, the Photophone has a camera arm attachment that can be directed toward the object to be displayed. Transmission time is approximately 5-20 seconds, during which voice conversation is temporarily interrupted.

Image Data is not alone in recognising the potential of video phones. At least six other US companies have, or are about to launch new videophone products. Prices vary widely, from as low as $1,500, for a telephone with a three-inch screen and a tiny camera aimed at the phone user, to as much as $150,000 for a phone that is capable of displaying colour motion pictures.

In 1981 it was decided only a complete rethink could save the day for BUSM. Neville Burton, production manager (left) was called in by chairman Peter Tracy (right). Burton rooted out obsolete production methods and was responsible for the introduction of the company's flexible manufacturing system (centre)

Big winner in a never-ending game of leapfrog

Walter Ellis on how BUSM, British manufacturer of machine tools for the shoe industry, pulled itself up by its bootstraps and brought production into line with customer demand

FIVE YEARS ago, British United Shoe Machinery (BUSM), a Leicester-based supplier of machine tools to the shoe sector, was on its uppers. Employing outdated methods and persisting in the production of equipment designed years before, it was fast losing its grip on the market. *Today, it is once* more a leading force, using new technology to pioneer systems that are fast becoming industry standards.

The problems of old technology had begun to show themselves in the 1970s as BUSM products began to fall behind those of its rivals. The company —part of Emhart group of the US—had been in the business since 1899, and for a time, as it slipped back into the second rank of machinery suppliers, customer loyalty carried business along.

When it eventually became clear that buyers were looking elsewhere for machines incorporating the latest advances in electronic capability, it was almost too late.

The root of the problem lay deep.

Shoe manufacturing is traditionally labour-intensive. The pattern is row upon row of manually-controlled machines, with each machine geared to a specific task; cutting, stretching, pleating and stitching leather, shaping soles, fixing the uppers to the soles with glue and nails.

BUSM reflected this approach. By the 1960s, the machines it produced had reached a level of sophistication, based largely on mechanical engineering, that met customer requirements then prevailing, and in the 1970s the company advanced its technology only grudgingly.

The manufacturing processes it used in building its shoemaking equipment were reliable but venerable, owing little to modern technology. Each machine performed one task; *others in sequence took up the* theme, and the end result was as many of one product as could be produced—with much of the units made going straight into stock. Hundreds of a particular model—perhaps once a best-seller—were turned out, not because the market wanted them but because the engineering floor was geared up to a particular pattern. There was little flexibility.

In the meantime, Taiwan, South Korea and Brazil, among others, were fast taking over the mass market for shoes, and their cheap labour meant that they could operate machinery at a cost far below that available in the West. Shoemakers in Europe and America responded in two stages. First, they cut production and closed factories —the classic, first response, seen also in shipbuilding at that time. Then, they began to fight back, demanding new techniques and equipment that could restore their competitiveness. Developing countries responded in turn by seeking the same new machinery — thus leapfrogging back into the lead and starting a new round.

BUSM realised that only a complete re-think would suffice if it was to keep pace with this almost continuous revolution. A new production manager, Neville Burton, was appointed by chairman Peter Tracy in 1981, with a mandate to root out existing machinery and install new generation equipment, computer-controlled for maximum efficiency and rapidity of response.

On the shopfloor, banks of *traditional equipment stretching* into the middle distance were replaced by clusters of machines geared towards the completion of a range of related tasks.

The idea was that an entire unit, ready for sale, could be put together in a limited space, with the efficiency of the operation being centred on the "batch of one."

For example, where once specialised sewing machines were produced 30 at a time in order to justify the start-up costs of an assembly run, now a production cluster makes just two a day on a continuing basis. If necessary, just one can be made without optimum efficiency being impaired, and a doubling of production is equally possible.

The fact that "bits" of a machine, once engineered, no longer had to be transported around the factory was a major saving in itself, releasing valuable ground area for productive purposes and allowing a finished product to be assembled more or less on one spot.

BUSM's new system is computer-controlled, with information on tasks performed being passed on automatically to the manufacturing, marketing, accounts, wages and despatch departments. This has meant that everyone, from top management to foremen and machine operator, knows what is being done and what the potential for a given day or week is.

Production can be related quickly to demand, and salesmen are encouraged to offer only what is possible. Delivery times are speeded up; they also tend to be met.

The system—known as flexible manufacturing (FMS) — has meant that set-up times for most procedures have virtually been eliminated, while lead-times and queuing are becoming things of the past.

Bar-coding of all paperwork means that terminal operators have a minimum of keying to perform. The rapid flow of information achieved enables the central computers to establish operational priorities that smooth out production wrinkles and cut clerical costs. Everything is speeded up, at reduced cost to BUSM.

In terms of manpower, the effect has been considerable. There were 2,900 employees in 1975, when things really started to go wrong for the company; today there are 1,450. There have been few complaints, however. Natural wastage has produced most of the job cuts,

At the beginning of the 1980s, 85,000 different parts were stored in BUSM's warehouses. The figure this year is 55,000, and many of those are required for units made elsewhere within Emhart. Present inventories are computer-controlled, and parts are available on carousels that have greatly reduced time taken for assembly.

The machines that BUSM makes for the market are compelling evidence of the revolution the company has undergone.

A cobbler making a pair of leather shoes performs many tasks and is constantly assessing the strengths of his materials, the tensions required in stitching and cutting and, of course, the size and shape of the intended shoe. For machines to carry out such functions means precision engineering allied to the kind of "feel" that only modern electronics can simulate.

Even "roughing" the underside of a shoe upper is a complex engineering affair. The roughness — required for glueing on the sole — has to reach only to the exact bottom edge of the leather, so that the exposed upper remains smooth and polished. BUSM machines can now do such things, and at speed. Templates that had previously to be inserted by the operator every time there was a change in shoe size or type have been abandoned. The process is now digitised with the new generation of machines being able instantly to judge for themselves what kind of footwear has been presented.

Much of the electronic expertise employed at BUSM has been devoloped by the company itself, using CAD/CAM (computer aided designs/computer aided manufacturing) equipment installed in 1984 at a cost of more than £1m. Designers and draughtsmen proved surprisingly adaptable, and only a small number of electronics specialists has had to be recruited.

"Our requirements were so specific that no one outside could meet them," Burton says, "and now we're stuck with our own material." He does not appear dismayed by the prospect.

Total cost to BUSM of the various changes made since 1981, excluding land and buildings and the cost of machinery made for leasing, comes to around £8m, all of it raised out of capital growth. No bank funding was involved and no help was extended by Emhart.

Last year, the turnaround was almost complete. Machinery sales were up to £20.2m—from a low-point of £16m in 1981—and exports had surged ahead to £17.5m.

Some 8bn pairs of shoes are made each year around the world, 5bn of them with a significant machining content. Geographically, the major shoe powers, outside of the Communist blocs, are Taiwan (making 600m pairs annually), Brazil (500m), Italy (300m), the US (270m) and Britain (130m).

The shift—with the possible exception of Italy—has been away from the developed world towards Third World and developing countries, where labour costs have traditionally been low. Thus, for a Western country to compete in the mass market, it has continually to upgrade its plant. This is where BUSM scores. It makes its money either way—helping the developed world to catch up and at the same time assisting the West to stay ahead.

It is an enviable position.

FINANCIAL TIMES SURVEY

Wednesday July 30 1986

Retailing

Buoyant consumer spending has helped spark off a regeneration of Britain's retail industry which has become one of the most dynamic sectors of the UK economy. The pace of change looks set to continue into the 1990s.

Shape of stores of the future: John Lewis Partnership's new store for Kingston upon Thames as it will appear from the Surrey side of Kingston bridge

Contents

Sharpening the image

By David Churchill

BRITISH RETAILING looks set to continue as one of the most buoyant sectors of the UK economy in the late 1980s. Three years of steady growth in consumer spending have fuelled a regeneration in Britain's high streets, typified by greater marketing and design flair and a wave of takeovers and mergers as a new brand of entrepreneurial retailers replace some of the tired retail concepts of the past.

Store chiefs such as the "three knights"—Sir Terence Conran, Sir Ralph Halpern, and Sir Philip Harris—have taken full advantage of the changed retail conditions of the 1980s to create new retail empires. Their success has laid the foundation for others to maintain the pace of retail change well into the 1990s.

"The retail revolution is an apt description for retailing today," points out Mr Tom McNally, director general of the Retail Consortium which represents the bulk of Britain's retailers. "There are rapid and profound changes in what, how, where and when we sell—and all the changes at present underway are likely to accelerate in the decade ahead."

Mr McNally also points out the central role that retailing plays in the British economy. It employs some 2m people who work from a quarter of a million retail outlets.

British consumers spent a third of their disposable income in shops last year while some 38 per cent — or £1.5bn— of all tourist spending in the UK was spent in retail outlets. Retailers, moreover, invested some £2.7bn last year in new capital equipment and are major customers of the construction, commercial vehicle, and mechanical handling industries.

The shape of retailing in the 1980s was determined largely by the onset of the economic recession from late 1979 onwards. The consequent slump in consumer spending forced retailers to become more positive in wooing shoppers.

"It was all too easy for retailers," recalls Mr John Richards, a senior retail analyst with stockbrokers Wood Mackenzie. "Opening a new store in a town where there had previously been no exposure was a guaranteed source of growth. The only required strategic management tool was a map of the UK with a plentiful supply of those coloured pins to indicate store locations."

At the same time, many retailers had become "flabby" as a result of the high inflation rate which enabled them to pass on price rises to customers rather than try to absorb cost increases through higher productivity.

"The 1970s was a decade of illusion," adds Mr Richards. "Many retailers forgot to make any mental adjustment for inflation and were, in fact, congratulating themselves on stagnating or even going backwards."

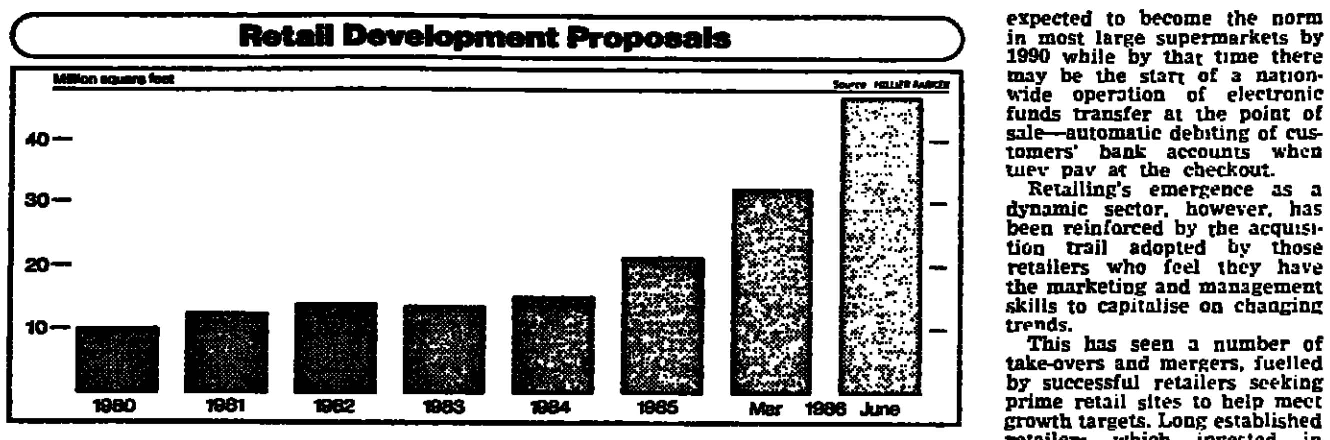
Against this changing economic background, it became clear that traditional retailing looked like becoming a mature market. More money was being spent on non-retail products such as holidays, cars, housing, entertainment, and private health care.

Retailers' share of consumers' disposable income dropped from 41.4 per cent in 1971 to 35.8 per cent in 1982. But the response from some retailers proved that pessimism about the sector's future was unfounded. Since 1982, retailers have begun to claw back market share, rising to 36.9 per cent last year.

"At first sight this may not seem a substantial increase," points out Mr Richard Eassie from the Verdict market research group, "but to experienced observers of the retail scene, the simple fact that shop sales are gaining share is a staggering change of direction and one that many thought would never happen."

This "retail revolution" has been achieved in a number of ways. One obvious strategy adopted by leading retailers in recent years has been to use design consultants to improve the look of stores. About three-quarters of all retailers questioned in a recent survey said that they had adopted a new store design within the past two years—with about half undertaking this investment in the previous 12 months.

Retail Development Proposals



The significance of this design-led approach was that consumers were, for the first time in many years, being actively wooed by retailers who were trying to make shopping a pleasure rather than a chore.

This marketing approach was reinforced by some retailers adopting a new strategy of identifying special target groups and segmenting a store operation for such customers. As the recession hit the young fashion buyer, for example, a new group emerged from the working women in the 25 to 45 age group who had increasing disposable income. Store chains such as Next emerged to cater for these new markets.

At the same time, other retailers have identified the 25 to 45 family groups as having most purchasing power. Thus Marks and Spencer, Littlewoods, and Woolworths are all chasing such influential customers in the late 1980s.

Other marketing trends include the cross-selling of financial and other services, previously outside the scope of what people would normally buy from shops.

Underpinning this new marketing drive has been greater attention to enhanced productivity—a focus made all the more necessary by the low inflation rate of the mid 1980s.

Productivity improvements have been helped by retailers belatedly grasping the benefits to come from the introduction of new technology both in the stockroom and at the point of sale. "The cost of retail computer technology has fallen by some 30 per cent in the past three years and this is fuelling what we predict as an explosive growth in electronic point of sale for the rest of the decade," claims Mr Richard Snook from computer company, ICL.

Laser-scanning checkouts are expected to become the norm in most large supermarkets by 1990 while by that time there may be the start of a nationwide operation of electronic funds transfer at the point of sale—automatic debiting of customers' bank accounts when they pay at the checkout.

Retailing's emergence as a dynamic sector, however, has been reinforced by the acquisition trail adopted by those retailers who feel they have the marketing and management skills to capitalise on changing trends.

This has seen a number of take-overs and mergers, fuelled by successful retailers seeking prime retail sites to help meet growth targets. Long established retailers which invested in property but have lost their entrepreneurial flair have, not surprisingly, been prime take-over targets.

The shortage of prime sites in mainstream shopping areas, moreover, has also encouraged retailers to press ahead with expanding in out-of-town shopping centres which also have the advantage over traditional high streets of providing ample car parking space.

The spate of mega-mergers in retailing over the past year—such as Asda's link with MFI and the Habitat/Mothercare merger with British Home Stores—may be drawing to a close given the failure of Dixon's bid for Woolworth Holdings. But even if the large-scale bids now prove less attractive to the City, there seems no shortage of possible acquisition targets among smaller retail chains who are unable to find a successful trading formula.

Even without any significant UK takeovers, the two most successful retailers of the 1980s—Marks & Spencer and J. Sainsbury—show no sign of letting their leadership slip. M & S especially has clearly grasped the growth problems it faced two years ago to set itself on course for significant expansion over the next five years.

These two companies are also among the key contenders for a major development in the US in the near future. The US has been a tough market for UK retailers to penetrate, with several having had disastrous experiences attempting to break into the lucrative North American markets.

However both Sainsbury and M & S have carefully built up their knowledge of the US market and may make a substantial acquisition there in the next few years.

In the UK, a slight dampening on the euphoric growth projections of some retailers was brought about by the surprise failure of the Government's plans to liberalise the shop opening laws to pave the way for lawful Sunday trading.

The legislation's failure was not disastrous for retailers, since only about a fifth of large stores were expected to trade on a Sunday if allowed by law. Many other retailers, such as do-it-yourself chains are, in any case, continuing to flout the law by opening on a Sunday.

But even no new government-backed legislation in this Parliament is unlikely to depress the spirits of a buoyant retail industry for long as it steers towards the 1990s.

Location

Ambience moves out on current of change

UNTIL NOW, when major retailers have gone out of town, it has been possible to perceive something defensive about it.

Food retailers — the Asdas, Sainsburys, Tescos and so on — needed ample car parking to maximise customer purchases, and the edge or out-of-town location to achieve that as well as to ease delivery from suppliers.

Furniture stores, and others like them, were being squeezed out of high street locations by the scale of the occupation costs involved; and even Marks & Spencer was seen to be under threat, two or three years ago, from the competition of target marketing—fashion stores like Next and Burton's Top Shop, aiming specifically for segments of the M & S market.

However, the decision by the John Lewis Partnership to test the pulse of out-of-town retailing has no such look about it. To have the Partnership as anchor tenant, with one of its department stores as the centrepiece for an urban shopping centre, is every retail developer's dream.

In May, when it said it would be opening a new department store in Aberdeen, adjacent to Bredero's 270,000 sq ft Bon Accord centre, Bredero gave thanks for a storybook beginning to its then pending—and, subsequently, highly successful—debut on the London stock market.

Also earlier this year, the chairman's statement in the Partnership's annual report said: "No out-of-town retailing in this country can compare for diversity, character and quality with modernised city centres . . ."

However, not all city centres are modernised, and around London a lot of people live away from traditional city centre locations. In July, therefore, the Partnership let it be known that its first out-of-town department store would be at High Wycombe to the west of London.

There will be a certain similarity to what has already taken the out-of-town route. As presently envisaged, the new store will carry principally the Partnership's furniture and furnishing assortments.

There will be no fashion departments but it is likely that departments catering for leisure interests—sports, gardening, garden furniture, toys radio and television—will be included, along with 600 car parking spaces.

However, John Lewis's director of research and expansion, Mr Stuart Hampton, argued strongly in the July issue of the Partnership Gazette that High Wycombe will be up to departmental store standards, with the quality and ambience which that implies.

"We cannot ignore the current of change which is leading to a growth in out-of-town shopping," he said, and added: "We shall be addressing our merchandise and our selling approach to exactly the same type of customers who currently form the mainstay of our business."

Top shopping agents Hillier Parker said, also in July, that proposed shopping centre development was expanding at a phenomenal rate and that, within the overall figures, the "contribution" of out-of-town shopping was accelerating even faster.

Shopping centre construction in the UK grew by more than 50 per cent in the year to last March 31, said the firm, producing an extra 11m sq ft of retail selling space. The scale of retail schemes with planning consent but not yet under construction rose by 66 per cent to 20.1m sq ft in the same period.

However, proposals awaiting consent from planning authorities totalled 47m sq ft at the beginning of June, nearly five times the level of 1980, and another 6m sq ft in new schemes was proposed in June itself.

Out of town shopping proposals, said Hillier Parker, accounted for 50 per cent of the plans last year against a quarter a year earlier. Between March and June 1986 out-of-town schemes made up almost 80 per cent of the total.

Russell Schiller, partner in charge of research at the firm, commented that the out-of-town trend was now threatening the dominance of the traditional prime shopping pitch.

This has not happened overnight. In the July issue of The Planner, the journal of the Royal Town Planning Institute, Mr Schiller heralded the third wave of retail decentralisation—essentially, the one which takes in the John Lewis Partnership and Marks & Spencer—with a reference to what had gone before.

The first wave, he said, was food, and its power is now largely spent. "Superstores are continuing to grow, but their effect on the food sales of the main durable centres is no longer an issue," said Mr Schiller. "With hindsight many planners now welcome the loss of food because it relieves congestion and car parking pressure."

The second involved retail warehouses, arrived five to ten years after the first wave and is now probably at its height. It includes bulky goods like furniture and carpets, "white" electricals (refrigerators, cookers, etc), these categories being joined by do-it-yourself stores and garden centres.

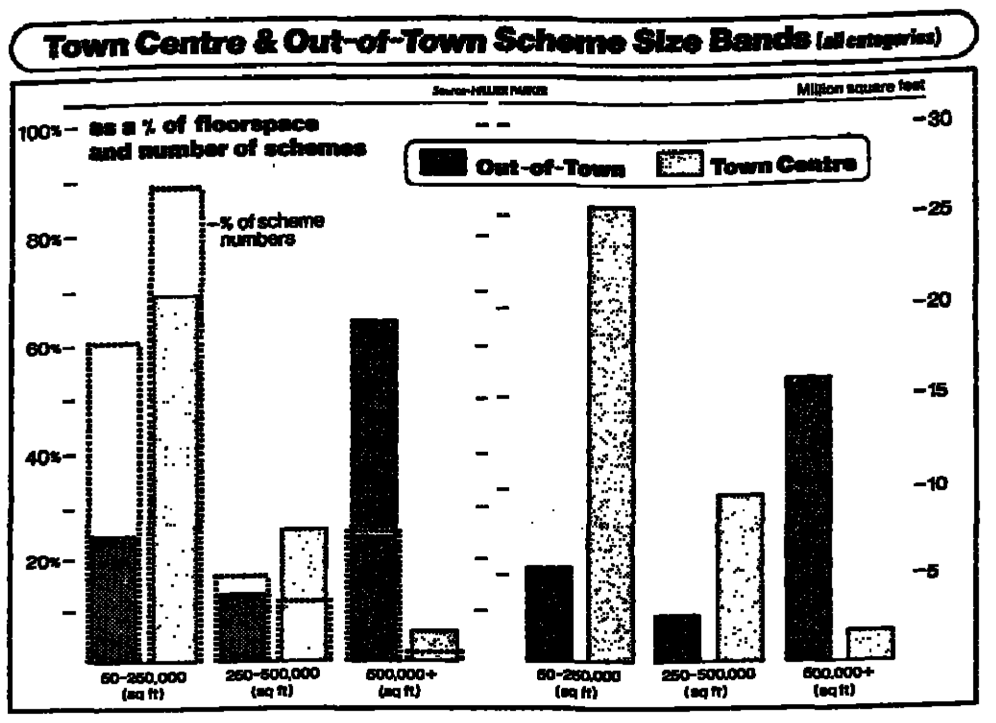
The third wave, apart from Lewis and M & S, includes names like Habitat, Laura Ashley, Toys R Us, Halfords and (potentially) Boots. All these traders sell comparison goods, as opposed to the convenience foods and durables which have been the out of town staple until now.

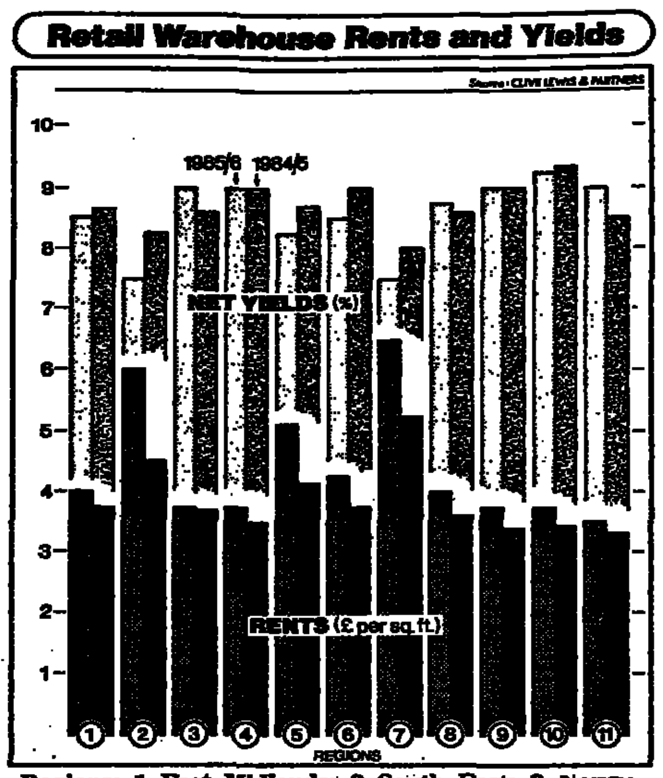
Some of these goods are expensive and of high quality. "The third wave, therefore, competes directly with the centre," says Mr Schiller.

". . . It is possible to imagine a centre situated on the edge of a town of 100,000 population consisting of Marks & Spencer, Tesco, Toys R Us, Habitat, Allied Carpets, MFI, Comet, a multi-screen cinema, fast food outlets and a bank," he says. Such a centre would total fewer than 500,000 sq ft gross and would not provide a concentration of fashion to match the town centre.

As Mr Schiller says, this type of centre will create a dilemma for many town centre retailers, perhaps having to decide between town centre and peripheral locations.

William Cochrane





Regions: 1 East Midlands; 2 South East; 3 North; 4 Wales; 5 South West; 6 East Anglia; 7 London Conurbation; 8 Lancashire/Cheshire; 9 West Midlands; 10 Yorkshire/Humberside; 11 Scotland

Newcastle's shopping centre which showed a rental rise of 42 per cent in the 18 months to mid-1985

Rents

Market towns blooming

SHOPS HAVE had appreciably higher rental performance than the other commercial property sectors since the early 1980s. There have been important regional variations in growth trends, and observers have also noted differences between various types of retail property.

Towards the end of last year, agents Debenham Tewson & Chinnocks published a report, "Shops, Rents and Rates, 1978-1985," which found that:

● Overall, the cost of prime shop rents and rates had risen by an average of 20.7 per cent over the 18 months to June 1985 compared with an inflation rate of around 10 per cent over the same period.

● Rents had risen by 18 per cent over the period, their strongest growth over the full period of the survey 1978-85, and were forecast to continue to grow strongly in excess of inflation over at least the next 18 months to two years;

● Rate fixing had occurred twice since the firm's previous report and the average increase in local authority rates burdens exceeded inflation by one per cent in 1984 and by 16 per cent in 1985. Rates, as a proportion of total accommodation costs, accounted for between 25 and 30 per cent of rent.

● Rate revaluation in Scotland had led to very significant increases in the rateable values and rates bills of prime shop premises in Edinburgh and Glasgow.

Rents, generally, reflected the growth of retail sales since 1981. However, as D T & C noted, they are also influenced by local circumstances.

London's Oxford Street, for example, was showing a 24 per cent increase in returns since 1983, with US tourist trade booming in 1985 and with the local market enlivened by the sale of Bournes and a new Capital and Counties scheme.

However, it only made a 1.1 per cent gain for the whole period 1978-85 against a 7.0 per cent average annual compound growth rate for all the centres in the firm's review — principally because rents overheated in 1979.

Oxford Street, according to D T & C, made £313 a sq ft for prime Zone "A" space in 1979 against £227 the year before. It then went into decline, down to £180 in 1981 and 1982, and recovered to £243 a sq ft by June 1985.

Similarly, Edinburgh got over-excited in 1980, when it reached £133 a foot, and had only recovered to £115 by 1985. It was the northern metropolitan centre of Newcastle which made the biggest increase in rents in the 18 months to mid-1985 with a rise of fully 42 per cent.

This, said the firm, was a continuance of historically high rental levels ensuring from the pressure of demand for the few rental units and development opportunities in Northumberland Street—the city's prime shopping pitch, next to Capital and Counties's Eldon Square shopping centre—and the primacy of the centre within north east England.

"It remains to be seen, however, whether Newcastle will retain its high annual compound growth rate now that the out-of-town Gateshead Metrocentre is on the horizon," they concluded.

This leads into what Russell Schiller, partner in charge of research at Hillier Parker, has been saying about retail rents and investment for the past two years.

Major town centres, he argues, have not performed as well as they should have done, given the strength of consumer expenditure. He calculates that the top ten towns in Hillier Parker's rent index show average retailing rents up by 7.4 per cent per annum compound, between 1982 and 1985.

However, market towns like Dorchester, or Cirencester, can show rises of 11.2 per cent. Hillier Parker find this so noteworthy that they will be publishing a separate Market Towns Index in September. This is likely to show, too, that investment values have slipped in the big centres.

Mr Schiller says that the average yield for "top ten" towns reached its "low" of 3.85 per cent in 1984, but had eased to 4.35 per cent by May 1985. That means that they are now being bought at a multiple of 23 times their annual rent compared with 26 times a couple of years ago.

The market towns' yield, he said, had improved from 6.45 to 6.8 per cent, reflecting the fact that they are under less of a threat from the boom in planned out of town shopping development.

Meanwhile, Clive Lewis & Partners have just published their midsummer retail report, which adds yet another thread to the argument. The firms' shops partner, Mr Nick Morgan, believes that very few of the centres which are being developed out of town at present will have much effect on town centre rents.

They are, he says, mainly due to the rise of the retail warehouse operating in furnishings, furniture and do-it-yourself convenience retailing — names like MFI, Harris Queensway, B & Q and Texas Homecare, which are effectively creating a new rental market.

He says that this type of retailing put conventional shops in the shade last year, marking up a growth rate in rentals, in real terms, of approximately 22 per cent. The firm qualifies this by saying that outside the south east, although saturation point is still some way off, the push for sites by retailers is beginning to ease.

They counsel caution: "It appears that we are now entering a period of relatively static rentals levels, while the initial slack is being taken up."

Meanwhile, Mr Morgan observes that town centre rents have risen most where tenants could afford it—mainly in market towns where Zone A rents are between £25 and £35 a sq ft. "Towns where Zone A is £75 and over, and these are mainly the big towns, haven't seen the same growth," he says.

William Cochrane

Prime Shop Rents Zone A
(£ per square foot)

	1978	1979	1980	1981	1982	1983	1984	June 1985	Growth rate (%) 1978-June 1985
LONDON									4.4
Knightsbridge	165	165	165	165	168	185	225	260	7.3
Oxford Street	227	313	240	180	180	196	207	243	1.1
Croydon	48	55	70	73	75	75	78	78	7.2
PROVINCES									9.7
Birmingham	50	54	63	66	85	85	90	90	9.5
Bristol	42	47	56	60	62	65	65	68	7.3
Cambridge	40	43	55	56	56	60	60	83	11.0
Canterbury	36	40	45	50	61	60	67	67	10.0
Cardiff	53	58	68	85	85	85	85	85	7.5
Edinburgh	80	90	133	113	100	106	113	115	5.7
Exeter	26	38	38	45	45	46	46	53	12.3
Glasgow	53	50	73	73	73	83	85	85	7.5
Leeds	35	41	46	50	52	55	67.5	75	12.4
Leicester	33	35	44	53	57	59	63	68	11.4
Liverpool	50	60	70	80	92	95	97.5	100	11.2
Manchester	50	50	50	47	45	45	55	60	2.8
Newcastle	45	50	60	65	70	77	95	110	14.7
Norwich	35	40	45	55	60	64	70	76	12.7
Nottingham	27	29	38	46	53	55	58	62	13.6
Oxford	45	60	60	60	65	70	78	90	11.5
Plymouth	22	26	30	38	50	55	55	60	15.9
Southampton	60	70	75	70	70	75	75	78	4.1
All centres									7.9
Retail price index									9.9

Source: Debenham Tewson & Chinnocks

Technology

Lasers slice through inefficiency

RETAILERS HAVE been relatively slow to capitalise on the benefits that technology — either at the checkout or in the stock-room — can bring to their operations. But there are now signs that stores chains are willing to embrace sophisticated new technology as never before.

ICL, for example, predicts that the next five years will see "explosive growth" of electronics in stores with over £800m being invested in technology by the end of the decade.

"The six years from 1984 will see no less than a tenfold increase in the number of elecrtonic point of sale terminals," forecasts Mr Nicholas Usher, ICL's supermarket industry marekting manager.

Most activity is centred around the introduction of laser-scanning electronic checkouts in the major supermarket chains, although two other areas of development are shopping at home via an inter-active computer screen or electronic funds transfer at the point of sale.

Behind all these developments is the growing awareness by retailers of the need to have greater control of their operating systems. Low inflation in the 1980s has made it increasingly important for retailers to achieve higher productivity instead — in the days of high inflation — of relying on rapid price rises to mask inefficient operations.

At the same time, the trend towards ever larger stores has made it essential that retail executives make full use of technology simply to keep track of what is going on.

"Having the right stocks in the right place at the right time enables retailers to raise turnover and net margins to a level which will easily pay for the cost of the systems development and technology," explains Mr Austin Bendall, a director of Coopers & Lybrands Associates which undertakes retail consultancy work.

It is the supermarket sector where the introduction of new technology is becoming most apparent. Although UK supermarkets have lagged behind their US and European counterparts in introducing scanning checkouts, they are beginning to catch up fast.

Three of the leading chains—Tesco, Sainsbury and Asda—account for some 40 per cent of the grocery market between them. Their commitment to scanning now makes it almost certain that the bulk of supermarkets will have scanning checkouts by the end of this decade.

Point of Sale Terminal News, in a recent survey, found that threequarters of the checkouts operated by large stores would be fitted with scanners by the end of the decade.

Laser-scanning systems are based on the bar codes printed on more than 70 per cent (by volume) of packaged groceries in the UK. These codes are built up from a series of black lines of varying thicknesses which represent a 13-diggit number unique to each product.

Each number identifies the manufacturer and gives details of the product, including its size and weight.

Products are passed over a low-powered laser at the checkout, linked to an in-store computer which identifies the prices and gives and itemises till receipts.

Benefits for the supermarkets from scanning fall into two categories — hard and soft benefits.

Most supermarkets are reluctant to reveal te exact size of the physical cost savings from scanning. A McKinsey management consultancy study, however, suggested that the hard benefits for a medium-sized supermarket — after taking costs into account — amounted to some 0.27 per cent of sales.

NCR, moreover, has calculated from its US scanning experience that a supermarket with a turnover of $150,000 a week could save almost $50,000 a year from the elimination of till errors at the checkout.

Many UK supermarkets, however, are more impressed with the so-called soft benefits from scanning. These are the improvement in management information and control that provide no immediate cost-saving but, in fact, are where the greatest potential savings are to be found. "They are 200 per cent more important than hard benefits," insists Mr John Styles, Asda's computer services director.

It is not only retailers who will benefit from the further introduction of scanning systems. The electronic capture *of sales data by scanners is* being used by food and drink manufacturers to analyse consumer shopping patterns and the performance of individual brands.

While the introduction of scanning into supermarkets appears well on its way, the same cannot be said for the implementation of Electronic Funds Transfer Systems at the Point of Sale (Eftpos).

Eftpos is the system whereby a customer has account debited directly at the check-out by the use of a special charge card and terminal. For the retailer and banker it promises the faster and more efficient transfer of funds which should help to keep costs down.

However, there remains some disagreement between the banks and retailers about what type of system should be used and how it should be operated.

Retailers are seeking a recognition from the banks that Eftpos is not simply a banking system provided at the point of sale. "The retailer is putting much more of his prestige and credibility on the line as the point of customer contact for the service," points out Mr Tom McNally, director general of the Retail Consortium which represents the bulk of Britain's retailers.

"Charges for the system must be struck, recognising the *investment of all the parties* and giving all participants a fair share of the benefits and hence an inducement to accept and make the system work."

Retailers are also concerned that the system should be easy for the customer to use and understand and to avoid customer embarrassment at the point of payment by providing means of controlling expenditure so that unwitting moves into overdraft can be avoided.

The delay in an acceptable nationwide scheme being negotiated has meant that some banks and retailers have already started their own localised experiments. Barclaycard, for example, has set up a system called Darts for use in petrol stations.

The new interest by retailers in technology has also seen the beginning of experimental shopping from home systems by use of home computers or the viewdata network. Such systems are in their infancy at present although likely to grow rapidly in the next few years.

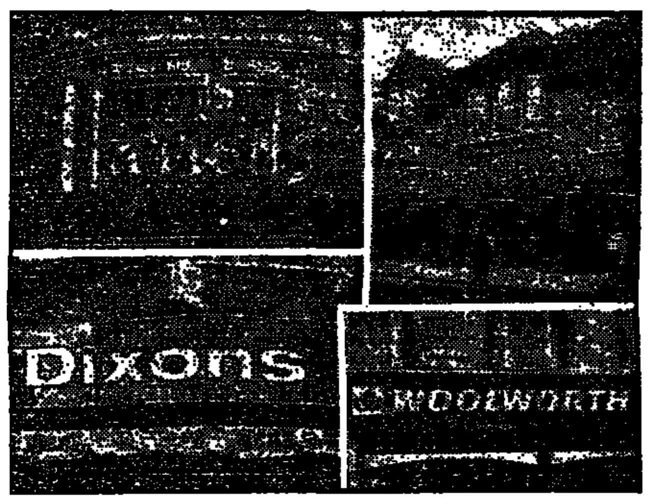
"By 1990 a significant precentage of all purchases will be made from a remote location, away from the retailer's premises," suggests Mr Craig Herron, managing director of Comp-U-Card, a computerised home shopping system.

"Retailing has never stood still for very long, but the changes in today's society and the development of new technology have accelerated evolution and created a new breed of electronic retailers," he adds.

David Churchill

Interactive video shopping under development by Comp-U-Card UK of Windsor whose machine store information and illustrations on thousands of products

On this and the following page a look at the principal retailing sectors



Department and variety stores

The formula is ever-changing

THE ACQUISITION of the Debenhams department store chain by the Burton Group last year—after a bitterly fought takeover battle—again raised doubts over the future of the traditional department store formula.

Burton was extremely critical of traditional department stores during its bid campaign—aided by Sir Terence Conran—and its plans for the Debenhams stores mean that they are being changed significantly to become almost mini shopping malls with the store housing a number of specialist retailers.

But other department stores —such as Harrods, Selfridges, and the John Lewis Partnership —have proved that the traditional formula can still work.

Verdict, a research company which specialises in retail research, points out that "running a profitable department store business in the 1980s will progressively become more difficult."

One sign of the lessening importance of department stores, however, is the fact that the official government retail statistics no longer chart their progress. Instead, their performance is included in a category known as "mixed retail businesses" with total sales of some £10.8bn last year.

Verdict forecasts that the department and variety stores—such as Marks & Spencer and Woolworth — will continue as a sector to outperform the retail sector in general over the next five years.

This is largely due to the growth potential of the variety stores rather than traditional department stores. One uncertainty, however, is how the Woolworth store chain now performs following the bid battle with Dixons.

Woolworth, which was bought out three years ago from its US parent by a UK financial consortium, had seemed to be rather slow in moving onto a credible growth track. However, there seems little doubt in the City that the unwelcome approach from Dixons — itself in need of extra selling space—has helped the Woolworth management focus on getting its trading operation working effectively and producing worthwhile and consistent profits.

Another potential question mark hangs over the new Storehouse group, especially the future performance of British Home Stores. BHS had a rather lack-lustre performance last year and the City is awaiting signs that the magic touch of Sir Terence Conran is at work in improving BHS's performance.

The bright star in this sector, however, remains Marks & Spencer which has moved onto a new growth track in the two years that Lord Rayner has been chairman. Much is expected of M & S in the next few years.

David Churchill

RETAILING 4

Trends

Consumers are kings in a changing world

RETAILERS investing heavily in new store concepts and developments are keen to spot consumer trends well in advance because of the long lead time involved in matching supply with demand.

Planning permissions and new store development, for example, can take years to mature—so it is vital that retailers are aware of the likely future impact of consumer shopping patterns.

What impact, for example, will the failure of the legislation on Sunday shopping have on where people shop? Will consumers increasingly prefer one-stop shopping in edge-of-town stores—or will the high street fight back?

Such strategies are in the forefront of many retailers' minds as they look to the 1990s. Those who get the answers right, moreover, will most likely emerge as top performers of the next decade.

The crucial significance of identifying trends has prompted many retailers to set up strategic planning departments. The Burton Group, for example, has set up a special "Futures Unit" of academics, consultants, and retail specialists to forecast developments in retailing.

One of its conclusions has been the large-scale movement of a predominantly affluent population from big towns and cities to small towns and rural areas. Consumers appear to identify more with their local area and give it a greater personal value than non-local centres and urban areas.

Localism, as this trend is called, is only one of a number of significant developments emerging in the 1980s, confirming that this is one of the most important periods for retailers since the abolition of resale price maintenance in the 1960s paved the way for the expansion of multiple chains.

At the heart of retailing trends of the 1980s, however, is the changing lifestyle of consumers which has altered how family budgets are spent.

Such influences may be profound (such as the increase in home ownership) or obscure (such as linking an increase in sales of video-recorders with a decline in visits to pubs).

One factor behind changing lifestyles is the break-up of the traditional family unit of two adults and two children. These now account for only 24 per cent of the total households in the UK, the same proportion as single-person households.

Other factors include more working women and fewer working men.

One of the greatest social changes in Britain since the war, moreover, has been the increase in car ownership. This encourages people to buy more, but less frequently. It also means that they demand adequate car parking.

Mintel, the market research company, says that while attitudes to spending and saving are ingrained, there are numerous indications of change taking place. "The decline in the relative importance of many staple items, plus the increase in spending on things which are valuable but not essential (such as private health care) suggest an atmosphere of change," it says.

"It seems reasonable to suppose that much of Britain is in the early stages of a move from hand-to-mouth existence to one where large numbers of people will feel they have a stake in a society where they will benefit from the country's overall prosperity—in other words, a move away from the them-and-us approach." Mintel argues. "If this is so, then lifestyle is indeed in for a change."

Perhaps the biggest factor shaping retailing in the 1980s is the fact that the consumer has emerged as king. The sharp economic recession that started in 1979 and the subsequent decline in inflation in the 1980s has forced retailers to fight harder to achieve sales from consumers who have suffered from the economic downturn.

At the same time, those who survived the recession have found themselves with rising standards of living as wages have risen faster than inflation. Such groups can now afford to be choosy about where they shop and what they buy.

It is no surprise that the target group for most major retailers is now the 25 to 45-year-old middle income and middle market families who are in work and who have extra disposable income.

Such consumers, moreover, have increased expectations about what they want from stores. In part, these expectations have been fuelled by consumers exposure to differing lifestyles via foreign holidays, for example. But they also reflect the fact that consumer aspirations for a better lifestyle is an important determinant in how people shop.

Another dominant trend in the 1980s has been the move by consumers towards home-based interests and entertaining. The consequence for retailers has been to develop products and services aimed specifically at the home. Marks & Spencer, for example, earlier this year launched a range of furniture and furnishings shops to take advantage of this growing market.

In other ways — such as enhanced store and product design—retailers have adapted to these changing trends.

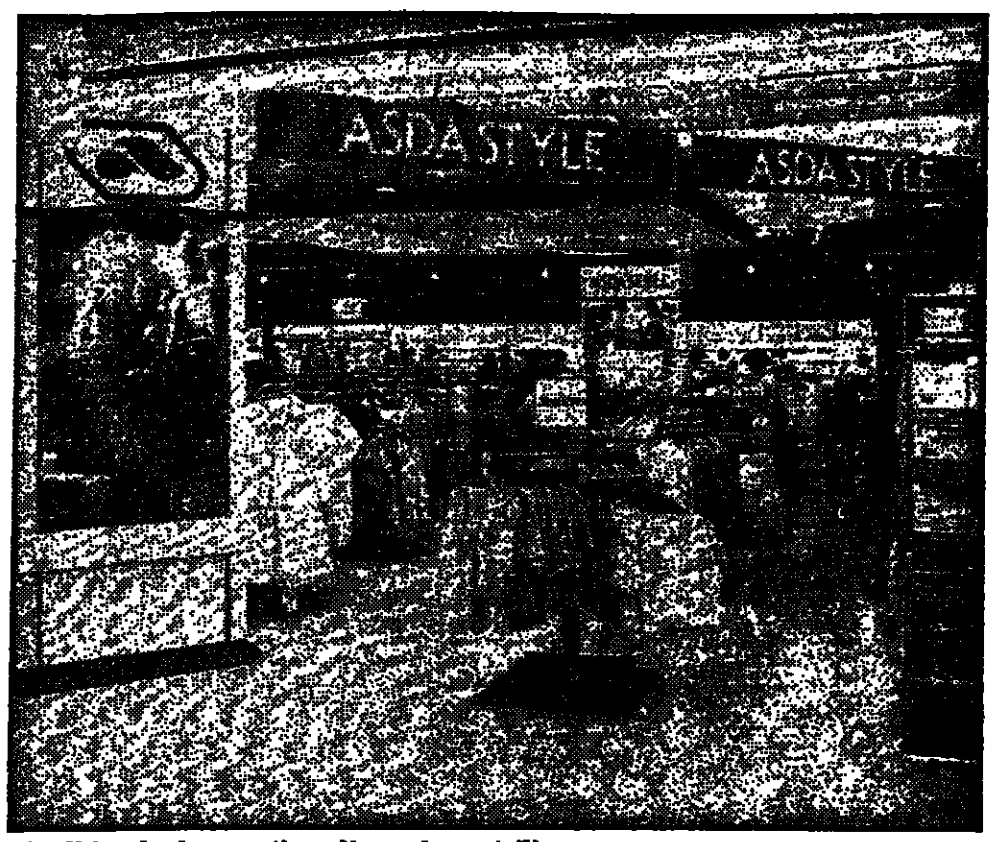
Over the next decade, moreover, traditional demarcation lines in retailing will increasingly become blurred.

Marks & Spencer, for example, has already shown this by its development in food retailing to make it one of the country's largest grocers. At the same time, grocers such as Tesco, Asda and J. Sainsbury are broadening their operations into non-food areas. Asda, for example, is now selling cars from some of its stores.

Retailers are also in the forefront of the increase in personal financial services, such as mortgages, banking and loans.

The retail winners of the 1990s will be those who get the marketing mix right. Yet the retail battles ahead—with new markets constantly opening up in response to changing consumer trends—suggest that the pace of change of retailing is unlikely to lessen in the decade ahead.

David Churchill



Traditional demarcation lines in retailing are becoming blurred. Marks & Spencer's move into food retailing has made it one of the country's largest grocers and Asda (above) along with Tesco and J. Sainsbury is broadening operations into non-food areas

Supermarkets

Rival threatens hegemony

THE KEY development in the supermarket sector over the past year has been the emergence of a new rival to threaten the hegemony of the Asda, Tesco, Sainsbury triumvirate of leading grocers.

This rival is the Dee Corporation, the retailer created over the past five years by the entrepreneurial Mr Alec Monk. Dee, previously known as Linfood Holdings, has emerged from relative obscurity in the early 1980s to become one of the leading supermarket chains by a process of growth through acquisition.

Last month Mr Monk put the seal on this growth with the acquisition for £686m of the Fine Fare chain. With Fine Fare, Dee will have more than 1,100 stores trading under the Gateway and Carrefour banner, and total retail sales of about £3.5bn.

This clearly puts it into the "first division" of retailers dominated by Sainsbury (with sales of £3.6bn) and Tesco (£3.4bn).

In market-share terms, however, Sainsbury is still the clear leader with about 16 per cent of the market, followed by Tesco with 14 per cent (about the same as the total for the retail co-ops). Dee plus Fine Fare has a market share of 11 to 12 per cent, slightly ahead of Asda.

The other new challenge to the majors has come from Mr James Gulliver's Argyll Group, which has more than 1,000 grocery outlets under the Presto and Lo-Cost names.

While Dee and Argyll have concentrated on efficiently running small to medium-sized supermarkets, the majors have for some time looked to superstore developments as the main way forward.

Superstores (with trading areas of more than 25,000 sq ft) enable the large chains to increase productivity by spreading a higher volume of business through a large store. At the same time, large food stores with ample car-parking on the edge of towns have emerged as a response to consumer preferences for one-stop grocery shopping once or twice a week.

As the amount spent by households on food remains largely static as a proportion of the household budget, the growth of the major supermarkets has largely come at the expense of small independent grocers who increasingly find it difficult to remain competitive.

But a market gap has emerged in recent years for well-run convenience stores, based on their US counterparts, which sell basic groceries and other household products from early in the morning until late at night.

Shoppers who use the superstores for the bulk of their food needs are willing to pay more for the convenience of topping-up their purchases late at night from a neighbourhood store.

David Churchill

Mail Order

Broken promise set for repair

MAIL ORDER has been one of the retail disappointments of the 1980s. It was the growth sector of the 1970s, but in this decade has proved vulnerable to the recession and under-performed the overall buoyant picture for retailing.

Only now, however, does it look as if the promise mail order showed in the 1970s may be fulfilled in the late 1980s and beyond.

The main problems for the mail order sector—which has annual sales of some £3bn—arose primarily because of the recession. The bulk of catalogue, mail-order customers (as contrasted with the direct response mail-order companies featured in the Sunday supplements) are from the lower socio-economic classes.

This arose from the way in which mail order developed initially as a northern phenomenon in the UK. It offered the opportunity not only for agents to earn extra income through commission but also, more importantly, credit facilities for consumers who had little other access to easy payment.

Although the demographic profile of mail order has changed—it has spread to the south as well as moved up-market—it was the northern-based customers who were most badly hit by the recession.

At the same time, these customers were also able to more easily obtain credit from other sources, as stores and credit card companies started wooing new customers. The key sales advantage of mail order was rapidly being eroded. Hence industry sales of £2.335bn in 1980 fell to £2.288bn in 1981, before slowly recovering.

Great Universal Stores is the largest mail order operator, with a number of brand-name catalogues and a market share of some 42 per cent. The mail order operations of the Littlewoods group have a 25.3 per cent share. Freemans and Grattan have 13.7 and 10.2 per cent respectively, with Empire holding a 6.2 per cent stake and the remaining 2.6 per cent in the hands of smaller operators.

Both Freemans and Grattan have recently shown their determination to develop specialist catalogues, targeted at particular consumer groups.

Freemans bought the Warehouse fashion stores company while Grattan last month linked with the Next group in a £300m merger. The aim is to provide Next-style merchandise to those shoppers who cannot reach the company's high street shops.

But all the mail order companies are closely watching Marks & Spencer to see how far its mail order interest will develop. Marks is using N. Brown Investments, a small Manchester-based company, to carry out a small mail order test operation later this year. If successful, Marks may develop this as an extra part of its retail operations.

D. C.

Chief executives Mr David Jones (left) of Grattan and Mr George Davies of Next mark their £300m merger with a handshake

THE ARTS

An Aida on the grand scale at Savonlinna

The grandeur of the Olavinlinna castle in Savonlinna lends itself naturally to opera productions on a spectacular scale. The dangers of staging opera as a visual extravaganza at the expense of dramatic coherence have been demonstrated by *The King goes forth to France*, which I reported on here earlier this week. Savonlinna's new *Aida*, which directed by András Mikó was the main event of this year's festival, falls into the same trap. At Savonlinna there is at least space for a cast of thousands and epic designs, but they are by no means enough in themselves.

Mikó utilises every square metre of the stage and the passages that thread in and around the auditorium. The triumphal procession in Act 2 is predictably his *tour de force*, with battalions of extras appearing from all corners of the castle in a scrupulously drilled cavalcade. There are no elephants or camels but it *is* nevertheless *Aida* in the grand manner. The castle wall which forms the backdrop to the action is emblazoned with gilded Egyptian symbols (designer Seppa Nurimaa) and everything looks sumptuous: only groups of token palms seem misjudged, conjuring images of Torquay in the off season rather than the banks of the Nile.

The problems begin with the dramatic core of the opera itself. Mikó evidently cannot resist dispersing his singers to the far corners of the stage, with dire consequences for both the theatrical credibility of the evening and the co-ordination between stage and pit.

The first-act trio is strung across some 40 metres, with characters communicating as much by semaphore as natural gesture; more critically, certain crucial events are consigned far to the left where because of the arrangement of banks of seating they are invisible to a good proportion of the audience. Any chance of preserving a degree of contact between events on stage and the audience, and of generating genuine empathy between the two, is squandered immediately.

The opera enfolds a personal tragedy within the context of a savage and rigid society. To neglect the nuances of that tragedy is to strip away a whole dimension from the drama.

Beneath the glitzy surface there seems precious little happening. The standard of acting is unconvincing (though, on the evening I attended, there may have been special reasons for that, of which more later) and none of the singers appear to have been encouraged to invest their roles with any kind of detail, to make the action worth following on more than a purely superficial level. *Aida* is an opera which enfolds a personal tragedy within the context of a savage and rigid society, and to neglect the nuances of that tragedy is to strip away one whole dimension from the drama.

In the eight performances of the production at the festival this year there were numerous changes of cast. I caught what was essentially the second team, but with an extra unscheduled change. An hour before the performance Seppo Ruohonen, who was to have sung Radames, discovered he had a throat problem, and so the role was given to the understudy Pentti Hietanen, who sang from the pit while Ruohonen walked through on stage. Without any rehearsal Hietanen acquitted himself remarkably well, taking on his set pieces with confidence and panache.

The last-minute changes must have unsettled the rest of the cast too, but in general the standard of singing was adequate: solidly sustained accounts of the King and Ramfis from Marko Putkonen and Bengt Rundgren, a slightly overdone Amonasro (Walton Grönross) and rich-toned Amneris (Ulla Sippola).

Taru Valjakka's Aida was intermittently most impressive: she was the most likely to have been discomfited by the emergency, but she gave little sign of problems. Her voice was a little threadbare at the top, but the lower register had an incisive, dramatic edge which underlined the lack of bite elsewhere. Martin Turnovsky's conducting rather unfortunately mirrored the attitude of the whole production, lacking dramatic detail at crucial moments and favouring instead ponderous sweeps of colour, applied with an excessively bored brush.

Andrew Clements

Don Giovanni, Idomeneo/Aix-en-Provence Festival

David Murray

Ten days ago the Aixois booed *all* the principal sopranos in their new *Don Giovanni*, which at 1.35 am seemed not only ungallant but cruel. Things had run on: thunderstorms are forbidden in Aix during the Festival, since the Théâtre de l'Archevêché is a roofless courtyard, but somehow one had slipped through just before the opera was to begin.

As conducted by Stephen Soltesz, the opera itself was a more temperate affair—nice orchestral detail, but too respectful to strike any sparks. The Festival director Louis Erlo makes a policy of enlisting *metteurs en scène* from outside the operatic world, but the production by Gildas Bourdet and Alain Milianti was not—by current standards—especially perverse. Laurent Peduzzi's basic set tried hard: flanked by a vertical slice of rococo theatre-boxes, there was a gross blow-up of Ruben's *Drunken Silenus* as drop-curtain. Scenes played in front of it were overwhelmed; and when it rose, it revealed a stark stripped-pine hunting lodge, or giant sauna.

Prudently, Bourdet and Milianti made nothing of that, but staged the action as if in a void, with minimal props — including a fine equestrian statue in metallic black who confounded Leporello's description of the Stone Guest ("L'uom' di sasso, l'uomo bianco"), but bore the hero off to perdition in high strobe-lit style. At Giovanni's party the famous overlapping dances were played by musicians in period costume, by heart, but weren't contrastingly danced. He was often backed by a sinister private militia. Otherwise the producers' bright ideas were small, scattered and painless.

One of them was to have *Gino Quilico deliver most of* the "champagne aria" *perched on Leporello's shoulder*, while Jean-Philippe Lafont continued to tote four hefty pieces of luggage. That might suggest a lightweight Giovanni, which was only half true, but certainly Lafont had the implied solidity. He could make a whole career of his magnificent Leporello—earthy, broad but exact, fulfilling the musical requisites with impeccable diction.

Quilico's first Giovanni promised an equally brilliant future—he is youthfully handsome and artful, the role sits perfectly on his voice, and the Serenade was a marvel of seductiveness and delicacy; he lacked only a decisive focus. Sometimes he suppressed his stage charm in favour of a cold viperishness, implausible in a full-time seducer, and unbent only when alone or with his protective Leporello. Giovanni needs a deeper motivation to earn his apocalyptic *finis*.

There was sharp competition from Masetto, the American Richard Cowan, too clever to be convincingly thick, but alert and engaging. His compatriot Frank Lopardo was a sturdy, un-wimpish Ottavio who delivered his setpieces in model style (despite having literally to gird himself, sub-Brechtianly, throughout "Il mio tesoro"). Sean Rea sounded authoritative as the Commendatore.

The female performances were in no way discreditable, but simply less good. Donna Anna is not one of Suzanne Murphy's best roles: she let fly with more rashness than wisdom in "Or sai chi l'onore," rhythmically vague, and domineered in the first-act finale. Mariette Kemmer offered a wilting Luxembourgeoise Donna Elvira with a slightly breathless "Mi tradi" (I thought the conductor hurried it, as he did "Il mio tesoro"). As Zerlina, Patricia Rozario looked overparted *in dramatic terms, and* her soft-grained timbre and diction probably irritated the Aixois.


Jean-Philippe Lafont and Gino Quilico in 'Don Giovanni'

Aix's other new Mozart is, in Pierre Strosser's production, *Idomeneo, ou: la Catatonie du plus haut chic*. Travellers should be warned that it is a co-production with Lyons, Nice, Paris, Strasbourg, Frankfurt and the Opéra Royal de Wallonie, courtesy of Action Musical Seita. There is a stony beach at the footlights, and behind it a storm-torn seascape, framed by black mirror-glass panels: so far, so good. During *the overture women* tread in—slowly, slowly — wearing designer bathrobes, and then some men (some in academic gowns, for variety). One by one the principals then turn up, moving slowly, but nobody reacts to anybody else.

For two hours nothing happens, except the strangely retarded processing of the *dramatis personae*. Nothing is done to articulate the story — though even in Provence Italian is not a *lingua franca*, and *Idomeneo* is almost unknown in France. At last, when Neptune's menacing sea-*monster should appear momen*tously (of course it doesn't), the black mirror-glass slides across — slowly, slowly — to cover all but one panel of the seascape. In the circumstances, that amounted to an Event; during the interval the French audience were all gasping "Extraordinaire!" — but a lot of them were hastily buying the *livrets* to find out what the hell was supposed to be going on. I suspect that the cause of *Idomeneo* in France has been set back by a generation who could wish to revisit such a deadly piece?

Strosser's version is by no means *stupid*; but it is a second-order reading, presupposing a literal familiarity with the text which the audience plainly didn't have, and cavalier with the literal action. Solo arias delivered with intense self-absorption were not enough compensation, nor even the pretty staging of the Idamante-Ilia duet as childish play *à la Chéreau*. Replacing the distressed Anthony Rolfe Johnson as Idomeneo at short notice, Philip Langridge managed to be fraught and haggard *à la* John Wood *while husbanding his* voice; brief flashes of power were not quite sufficient to illuminate the character.

There was a sensitively impassioned principal-boy Idamante from Jeanne Piland, and a graceful Ilia by Sylvia Greenberg. Eliane Coelho's Electra, allowed no dramatic interplay with the other characters, had a theatrical success with her last aria, a spitfire explosion amid the prevailing morbid calm. Under Hans Graf the Sinfonia Varsovia played with much finesse, but in line with the production-manner the orchestral cues were slow to come; *Idomeneo* was reduced to studied, separate numbers, without cumulative weight, and it took longer than *Don Giovanni* (even without "Non mi dir," shorn on account of time). *The French may think* they like this *Idomeneo*, but they don't—they are merely impressed.

Television/Anatole Kaletsky

The money watchers' case for better value

A bald middle-aged man sits in an office staring awkwardly across the camera. He talks slightly diffidently about investment institutions, audits and "delivering profits to the shareholders."

A dashing Elizabethan figure, complete with ostrich feathers in his hat and ruffles on his collar, rides on a stallion across the Brazilian grasslands. His speech is of the vastness of the jungle—of slaves and galleons, of heathen rites and treasure.

Which would you rather see on television? Most people would agree on the answer. Most people would also rather watch a weekly rerun of the Royal Wedding in preference to a series of hour-long documentaries about the sufferings of the impoverished peasants who grow the coffee, tea and sugar which John Bull sips in complacent comfort out of his Fergie commemorative mug.

No, in today's frivolous and selfish Britain, the odds must have seemed stacked against *Commodities* (C4, 10 pm Mondays), even before the Channel Four nobs settled on a title that would elicit a yawn even among the FT's headline-writers. Which is presumably why the producers decided on a daring, if not entirely novel, ploy.

Instead of wheeling out the standard pundits they went to a theatrical costumiers, hired an aspiring playwright and put half their story into the mouths of romantic characters like our unidentified but heavily ruffled adventurer in Brazil.

Personally, I would rather stick to Royal Weddings for equestrian spectacle and anachronistic costumes. Even the wedding had its disconcerting moments. To be waved to condescendingly by a carriage full of four-year olds is somehow humiliating, even if the toddlers are Princes, Dukes and Viscounts to a little man. But noblesse oblige isn't half as insulting as being informed that those of us who like our tea with sugar are in effect engaging in a centuries-old conspiracy to crush, impoverish and torture the starving masses of the Third World.

The punters are not just interested in money on television. They are obsessed with it.

To be told this by a man with a waxed mustachio is positively distressing.

Of course, making the viewers feel uncomfortable is a conscious purpose of the Commodities programmes. The main theme is that the capitalist consumers' demand for tropical foodstuffs has kept the Third World countries in a state of servitude from the colonial era to the present day. Unfortunately this thesis—which is certainly arguable, if not entirely convincing—is conveyed through incoherent innuendos, with no apparent logical structure.

It is only in the last programme of the series that the intellectual content becomes explicit, and in the process there emerge some general points about the ways that television treats economics and business.

In the middle of an interview with a Chinese manager about joint ventures with multinational companies, the voice-over suddenly flies completely off the handle with the following assertion:

"But what price will China pay for modern industries and financial structures? To other nations this has meant unemployment, poverty, inflation, malnutrition. And the surrender of their economy—to foreign bankers, economists, and ultimately foreign advisers and controllers and the economic and military controls at their disposal."

Poor benighted Chinese. If only they could see with the clarity of Channel Four producers. This kind of patronising arrogance is the besetting sin not only of the Commodities programmes but of the whole coverage of business and economics on TV.

Many of the people who work on business television still fall into two categories—those who consider themselves too clever to work on boring business stories; and those who consider the audience too stupid to see that business stories aren't boring.

Gimmicks like fictionalised re-enactments, computer graphics or the puppets employed by J. K. Galbraith in his memorably patronising and vapid series on economic theory some ten years ago, are all too often the give-away that people like this are in control.

Television's treatment of economic and financial current affairs on programmes such as *Newsnight*, *The Business Programme* and *The Money Programme* is now quite adequate. But, when it comes to deeper presentation and analysis, some of the most important issues of contemporary politics and everyday life—subjects like unemployment, taxation, corporate strategies, foreign investment and North Sea oil—still seem to be considered too boring or complex for treatment within the same creative framework as documentaries on other serious subjects.

On the question of boredom, it is enough to give a series of one-word answers — *Dallas*, *Dynasty*, *Minder*. The punters are not just interested in money on television, they are obsessed with it. And who can deny that the true characters and activities of the Bunker Hunts, the Maxwells or the Khashoggis are any less fascinating and bizarre than those of their fictional cousins?

Complexity and abstraction are genuine problems. But science, technology, religion and the abstract arts have all come of age on television with series like *Horizon*, *Everyman*, *Arena* and *The South Bank Show*. Even inflation accounting is a lot less abstract than the paintings of Mark Rothko or the researches in unified field theory of Professor Feineman.

However, what is required is not a deluge of programmes on monetary control or inflation accounting. The broad frontal attack with all guns and gimmicks firing—à la Commodities—is rarely television's best approach to an abstract subject. Where programmes like *Arena* and *Horizon* are most successful, it is by finding an unusual and relatively narrow focus which reveals to the viewer something of the inner nature of a complex subject—be it the workings of the brain through a programme on Parkinsons' Disease or the contradictions of American culture through the Superman comic.

The same can unquestionably be done for economics and business. This brings us back to our bald middle-aged man. Mr Victor Watson, the charmingly soft-spoken chairman of Waddingtons, talking about the subterfuges he had to use to keep his company out of the grasp of Robert Maxwell on *The Curative Treatment* (C4 Saturday), told us more in five minutes about the skulduggery and romance of capitalism than six hours of Commodity programmes.

A one-off like this has as much impact as a bucket of water in the Sahara

But *The Curative Treatment* was more than just a series of fascinating human stories about the victims of takeover battles. This programme set out to be every bit as "polemical" as Commodities. And it succeeded. It showed how the concept of "profit" is far too ambivalent, both morally and economically, to act as the sole criterion for business decisions.

It challenged two of the heroes of the British financial establishment — Lord Hanson and Lord Weinstock—by bringing out the difference between "the managers of retrenchment and decline" and "the managers of success and expansion." It questioned the legal structure of the capitalist financial system—is it really rational in this age of institutional investment that a public company should be deemed to exist solely for the benefit of its absentee owners?

Television cannot answer such questions, but it can make the viewers understand them by showing the ways that abstract issues intertwine with daily life. However, the questions raised by programmes like *The Curative Treatment* are unlikely to remain for long with most of the programme's viewers.

On its own in the midst of a Saturday afternoon, a one-off programme like this has as much lasting impact on the audience as a bucket of water thrown on the Sahara Desert. The TV audience will only become familiar with economics through the cumulative effects of many such programmes. Sooner or later the television establishment will have to overcome their prejudices and launch a regular series of business and economics documentaries in prime viewing hours—a business equivalent of *Arena*, *Everyman* and *Horizon*.

The Cocktail Party/Phoenix

Michael Coveney

The latest effort to raise the tone of the West End makes you yearn immediately for something low and musical. The New Theatre Company led by director John Dexter has assembled a cracking cast of what might be Olivier's National Theatre if nothing had changed in this infuriating mix of religion and psychiatry breaking through the carapace of social convention.

Alec McCowen picks up where his Martin Dysart in *Equus* left off usurping the cocktail party chatter as an Unidentified Guest in the Chamberlaynes' flat where the Guardians have returned to assert that stoical acceptance of relationships we have is less dangerous than unfulfilled yearning. It is all a lot of high flown Anglican poppycock of course, but at least Mr Dexter's production in its attention to surface detail will mollify expectations of those who like the idea of religious experience in the theatre, and are ready to confuse intellectual conversation with bathetic gobbledegook.

Lavinia has left Edward Chamberlayne, but is brought back to him on condition that he won't ask where she has been. Tricks and lapses of memory are glossed over as endemic to this absenteeism and the reality of a bickering marriage, flared to life in the past tense, leads to the accusations of nervous breakdown in the second act. Each is a suplicant at Harcourt-Reilly's medical court. The doctor is the Unidentified Guest.

After Peter Ackroyd's biography and Michael Hastings' *Tom and Viv*, it is tempting to read these scenes afresh, especially with the talk of going back into the cage and Chamberlayne's upturned existentialist riposte that Hell is oneself. Chamberlayne's lover Celia Coplestone (a glacial, elegant Sheila Gish), chooses, also in the consulting room, the terrifying journey to salvation—nursing sick natives in Kinkanja—and is crucified, we hear, very near an anthill. Elaborating on some newly uncovered correspondence between the author and Sir Geoffrey Faber, Mr Dexter suggests, as indeed does Sheila Allen's glowing bulge and demeanour, that Livinia is pregnant after the two year gap.

By the time Alec McCowen asserts that "Only by acceptance of the past will you change its meaning" an audience has lost all will to fight back. I can see how in 1950 this sort of stuff might have appeared terribly exciting, verse drama breaking through the evening dress comedy conventions. Now it just sounds ridiculous. The poetic voice of Eliot simply does not survive modern theatrical translation.

You never really understand *why* Celia should feel she must atone, nor what on earth the absurd cinéaste Peter Quilpe (Stephen Boxer) means by asking what is the reality of experience between two unreal people. Much better is the identifiable sadness of Simon Ward's prissy, bemused barrister Chamberlayne, beginning to feel old as the play envelops him, mourning his lost Alcestis and collapsing in a paunchy, waist-coated heap of delirium *on learning about her affair*. At such moments you see the dark chasms in Eliot's comic structure.

The blank verse sounds as natural as fluent prose, a tribute to cast and director. Mr McCowen, dry as a biscuit, quick as a flash, executes a brilliant job of professional demystification as the quizzical doctor, far more plausible than Priestley's Inspector. His fellow Guardians are Rachel Kempson as the party-flitting Julia and, in his most magisterially eloquent form, Robert Eddison as the fussing Alexander, chief cook and harbinger of bad tidings.

A brief and inadequate word for Brian Vahey's design which moves between a luxuriant apartment and a stunning skeletal consulting room.


Alastair Muir
Stephen Boxer, Alec McCowen and Rachel Kempson

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Theatre

July 25-31

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

TOKYO

Fool for Love: The final of Parco's Sam Shepard trilogy and closest to the original. This production, directed by UK's Paul Joyce, demonstrates that Japanese versions of Western plays needs not be stylised, over-acted and superficial. Excellent stage effects. Design by Setsu Asakura. Parco Space Part 3, located in fashionable area of charming winding streets, restaurants and imaginative new buildings in Shibuya (477 5860/5858/5859).

LONDON

The Normal Heart (Albery): Tom "Amadeus" Hulce is playing the crusading hero of Larry Kramer's hysterical melodrama for a three-month season, as public concern over the *Aids epidemic* increases. (836 3878 credit cards (CC) 379 6565).

La Cage Aux Folles (Palladium): George Hearn a welcome star alongside Denis Quilley in the transvestite show for all the family Weak second act, less than vintage Jerry Herman score. The show has not travelled well from Broadway. (437 7373 (CC) 734 8961).

Blithe Spirit (Vaudeville): Susan Hampshire and Joanna van Gyseghem have now joined Simon Cadell in this enjoyable Coward revival. (836 9987).

Troilus and Cressida (Barbican): Provocative RSC production set vaguely in the Crimean War with Juliet Stevenson refusing to play Cressida false but riveting just the same. The bumptious 1950s Merry Wives continues in repertoire. (628 8795).

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Financially embarrassed

THE HUMILIATING climb-down by the Australian Government on Monday, when it was compelled to withdraw a tax on payments to foreign investors imposed less than a month earlier, is a reminder that in a world in which balance of payments finance is provided almost entirely by private sources, borrowers can not be choosers. The incident might well be adopted as a text by those who favour the swift, impersonal discipline of the markets over more formal or diplomatic methods. The tax was ill-conceived, and seems to have been simply a concession to the chauvinism of the Australian trade unions. Had it remained in place, Australian borrowers would simply have faced still higher costs. The longer it had stayed in place, the greater the long-term damage.

However, the evidence in favour of market discipline is seldom so clear-cut. The Australians themselves have some right to feel bemused. The original thrust for financial liberalisation came—as it did in Britain seven years ago—from the embarrassing strength of the currency. Even now the trade unions may well feel they have a point. If the Australian current account deficit is due, as they no doubt hope, to a temporary weakness in the price of most Australian exports, the system should be able to provide bridging finance without insisting on an equity sell-out.

Poor forecasters

These hopes and objections may well be ill-founded. The shift in the terms of trade against primary products seems to be a secular trend, caused by changes in technology and in the structure of final demand, albeit exaggerated by the mild world recession at the moment. A Micawber policy of borrowing in the hope that something, or some price, will turn up, could be potentially disastrous. It is also very possible that foreign entrepreneurs will do more for the Australian economy than the home-grown variety.

It is very unlikely, though, that dealers had any such long-term analysis in mind when they marked the Australian dollar down, or that the gyrations in other exchange rates always give helpful signals. On the contrary, experience in both the dollar and sterling markets suggests that the market is a poor long-term forecaster, late to wake up to known information and then over-reacting to it.

In the dollar market, the implications of growing US fiscal and current account deficits, widely publicised and exhaustively discussed, did not sink in until the market was booted awake in 1985 by two concerted central bank interventions. The period of gross over-valuation has done considerable structural damage to US industry and impatience for some result from devaluation may provoke Congress into broad protectionism. Restriction on trade to protect free movement of capital does not look like an optimal outcome.

Market judgment

The UK story goes back further. In the mid-1970s the market took fright at the borrowing required, quite largely, to develop the North Sea oilfields. When these came on stream, the sterling market suggested that the flow and the price could be sustained for ever, though UK investment institutions fortunately hedged their bets heavily. Now weak sterling is a potential worry, though the market seems to be making a sober assessment of oil prospects.

There is a case, certainly, for hoping that financial markets are becoming shrewder and more sober after the turmoil of recent years, but this case would hardly justify leaving the whole management of a worldwide structural change simply to market judgment. The international institutions and central banks have done a notable job of crisis management in the sovereign debt crisis — itself evidence of market misjudgment; and the US is now urging a bigger role for these institutions and for co-ordinated policy in managing the adjustment problems of the rich. The evidence favours them.

Long haul for British coal

THE BRITISH coal industry, which caused the downfall of Mr Edward Heath's Government in 1974 and which presented one of the most severe tests to Mrs Thatcher's nerve, has proudly announced its first trading profit after five years of mounting losses.

The 1986 results published by British Coal yesterday will allow Sir Ian MacGregor to retire from his stormy and controversial tenure of the chairmanship with honourable achievement to his credit.

The £535m operating profit recorded in the accounts gives an over-optimistic picture of the underlying health of British Coal. If government grants, interest charges and a £342m accounting adjustment are taken into consideration the underlying loss would be about £750m. On a current cost accounting basis the loss would be greater. The outlook for the rest of this year, in a world of falling energy prices, must be very difficult indeed. The target for breaking even has been pushed once again into the future.

Nevertheless British Coal has moved decisively in the direction which Sir Ian mapped out in 1983—towards greater financial realism and the principle which governs most other commercial undertakings, that production cannot be justified if costs are hopelessly out of line with market prices.

Painful adjustment

Sir Ian's hard-headed vision was by no means generally accepted in an industry long accustomed to its privileged position as a monopoly selling most of its output to one captive customer, the Central Electricity Generating Board. The power of the National Union of Mineworkers, a web of political protection and some sentiment about the history of coal as major national resource had all conspired to obscure the threat from world markets.

Yet as fierce competition and new investment was reducing the costs of major producers in Australia, the US and South Africa, British productivity was stagnating or even declining. At the same time miners' wages were rising sharply in relation to average earnings in the rest of the economy.

Now, the cost of producing UK coal is more than twice that of more efficient producers in other parts of the world. Even after the costs of transport, foreign coal would be very much cheaper than the average price paid by the CEGB for British coal.

The longer this imbalance continued the more certain it was that the UK coal industry would have to suffer a painful adjustment. Historians will argue whether, with greater tact, Sir Ian might have been able to force the changes without the expensive and bitter strike of 1984-85.

However the fruits of the coal board's victory over the miners are now clearly visible. After the closure of 27 inefficient collieries and the loss of 33,000 jobs, overall productivity rose last year to a figure which was 12 per cent better than that achieved before the strike. Improvements have been so rapid that output per man-shift is now about a third higher than in 1983-84.

Militant supporters

The industry still has a very long way to go down this painful trail. Price pressures have intensified strongly since last year, with the spot oil price now less than a third of its level in November 1985.

The recent agreement with the CEGB, to cut coal prices to reflect competition from oil, will cost British Coal about £300m in a full financial year, a similar deal with the South of Scotland Electricity Board will cost about £70m. The rebuilding of stocks after the miners' strike gave the coal industry a benefit of about £400m in sales which will not be repeated, while it gained £342 last year from a special provision for the effects of the strike made the previous year, but not needed in the event.

All this means that the industry will have to run faster this year and next just to stand still. Not surprisingly it is reticent about the consequence for jobs, but it seems inevitable that a further period of severe contraction is in prospect, particularly as two new nuclear power stations will soon be coming on stream.

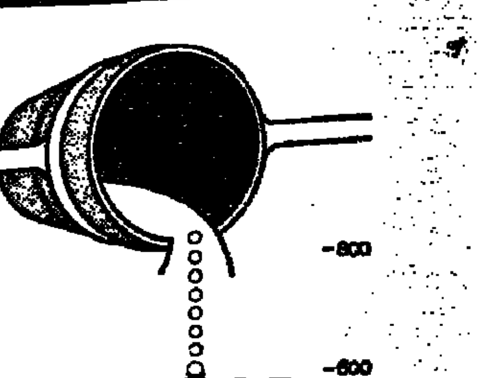
In such an environment any hopes that the Government may have had of creating a profitable and market responsive coal industry must have receded for the time being. Some ministers believe that Arthur Scargill and his militant supporters are down but not out, and have no wish to provoke the anger of mineworkers before an election.

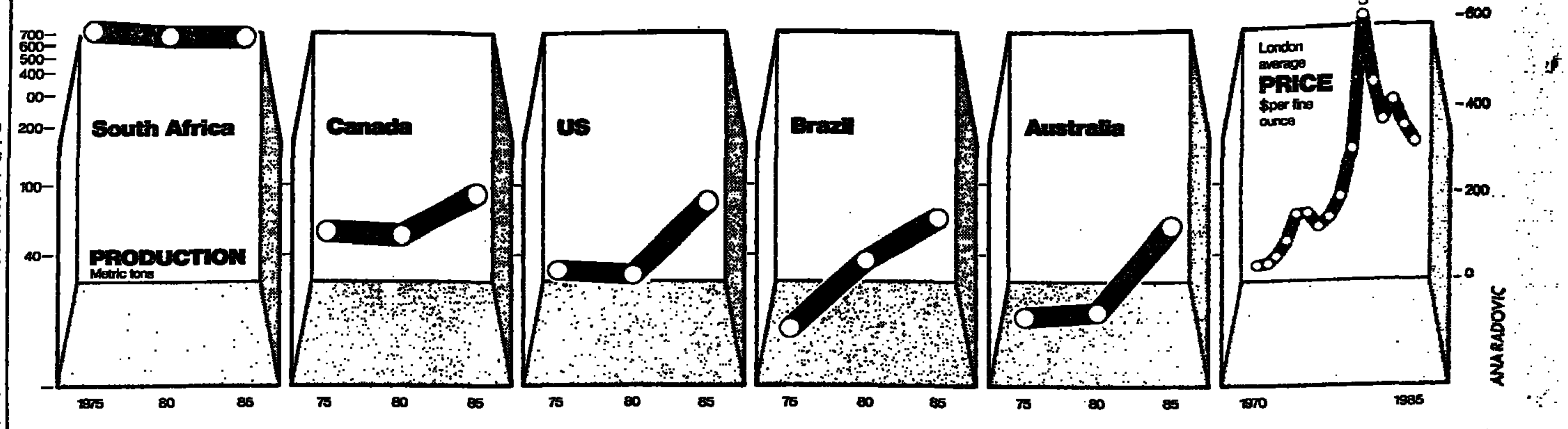
Moreover, Britain will need a substantial coal industry for many years to come. As the CEGB agreed, it would be folly to force the pace of pit closures by a major switch to oil-fired power stations, since the price of oil is likely to be volatile and may well rise sharply again. The Government must make sure that, in taking a long-term view of coal, it does not allow the momentum for cost reduction to slow down.

WORLD GOLD PROSPECTING

The new 'Klondikers'

By Stefan Wagstyl





INVESTORS FROM around the world crowded into a marquee 11,000 ft up in the Rocky Mountains earlier this month. Swiss bankers, London fund managers and Los Angeles stockbrokers drank toasts in Pepsi Cola and Seven-Up, because alcohol is not safe at altitude. An ambulance stood by in case anyone felt faint.

The shareholders of Galactic Resources were celebrating the opening of the company's gold mine at Summitville, Colorado, in the flamboyant style which has characterised gold mining for much of its history.

For Galactic, headed by Mr Robert Friedland, a former hippie turned venture capitalist, could be one of the winners in a world-wide modern-day gold rush.

In Canada, the US, Australia, Brazil and elsewhere, prospectors have been staking out claims in the 1980s in numbers not seen since the 19th century. Their efforts are yielding results—contributing to an increase in world gold production which will accelerate as more newly-developed mines come on stream. While South Africa remains the dominant producer, increasing mine development spending to record levels, output in other Western countries has risen 80 per cent since 1980.

The increase in production is so large that it is bound to have a profound effect on the gold market. Western mine output has risen from 950 tonnes in 1980 to 1,213 tonnes last year and is forecast to climb to over 1,400 tonnes by 1989. At a recent gold conference in London, Mr Timothy Green, a consultant to Consolidated Goldfields, one of the largest producers, said: "Production is going to be like this every year for many years . . . Who is going to buy this gold?"

The reason that mining companies have been looking for gold at the expense of almost every other metal is not hard to find. While the gold price has fallen from its 1980 peak of more than $800 an ounce, at about $350 it is still much higher than during most of the 1970s. Most gold mines are profitable, some hugely so. By contrast, there is little incentive to develop new base metal mines when prices are so low that few producers make profits.

According to Metals Economics Group, a Boulder, Colorado, research company, while total exploration spending has fallen steadily from a record $1.6bn in 1981 to $1bn last year, the proportion spent on gold has risen from roughly one-third to around 75 to 80 per cent.

As in previous gold rushes, investors have not been slow to back small prospecting companies, joining in some fast and furious speculative activity on stock exchanges in Vancouver, Perth, Spokane (Montana) and elsewhere. Big mining companies, too, have thrown their weight into looking for gold — not only traditional gold companies, such as Consolidated Goldfields and Anglo American, but also former base metals specialists. For example, at Amax, the US molybdenum company, gold accounted for virtually none of 1980's exploration budget of $118m but for most of the $40m spent last year.

Changes in technology have increased the chances of developing profitable mines. The crucial improvements have not come in prospecting—although the increased sophistication of aerial photography has made some tasks easier — but in processing low-grade ores. The cut-off grade at which ore can no longer be profitably treated has fallen from about 4 grammes a tonne to about 1 gramme in the past 20 years.

As a result, many prospectors have concentrated on claims near old gold workings or on previously-surveyed low-grade deposits. Often they have devoted as much time to re-interpreting old data filed away in record offices as in drilling new holes. For example, Placer Development, a long-established Vancouver company, had a spectacular success with Kidston, in Queensland, which has become Australia's largest gold mine. The deposit was first mined in 1907 — Placer's skill has been to develop a particularly economical open-pit (surface) mine which can make a profit from the low-grade ore.

Some prospectors and their backers have made a fortune out of the 1980s gold rush. Others are still hoping. One of the lucky ones is Mr Murray Pezim, a 65-year-old former Toronto butcher, who invested in the early days of the discovery at Hemlo, Northern Ontario, the biggest of the new finds. Mr Pezim says: "I don't know what I'm worth. But if I had only $10m, I'd say I was broke. I'm not broke."

But Mr Pezim agrees that backing small gold companies is a huge gamble. "It's a 1,000-to-one chance," he says. Vancouver stockbrokers calculate that in the past seven years 19 mines have been brought to production by the 1,100 natural resources companies quoted on their exchange.

Larger companies improve the odds greatly by working on several projects simultaneously. Not surprisingly, the traditional gold companies have been among the most successful — three of the largest new US mines have been developed by such groups: Consolidated Goldfields (Mesquite), Newmont (Gold Quarry) and Homestake (McLaughlin).

However, some majors with successful gold mines in their portfolios do very little prospecting — instead they rely on the junior companies to come to them with half-developed propositions.

In the past, the juniors have had little choice about giving up big stakes in their best prospects because only big mining companies could provide the necessary finance and expertise. Thus Noranda, the premier Canadian mining house, was able to buy into the Hemlo discovery. However, there are signs that this could change. Firstly, smaller companies are finding it slightly easier to get finance — in Australia, banks have devised "bullion loans" in which money is advanced for mine development in return for a guaranteed share of gold production; in Canada, some juniors are issuing "flow-through" shares which allow investors to write-off the company's exploration expenditure against their own personal income.

The second reason why more smaller companies are able to take mines into production is that, because of the recession in other parts of the mining industry, more senior geologists and mining engineers are willing to quit jobs with the majors to strike out on their own.

However, perhaps the most significant corporate development of this gold rush has been the rise of a new generation of medium-sized Canadian mining companies—apart from Placer Development, there is Teck and Lac Minerals which both have stakes in Hemlo (Lac is currently fighting a court case over its interest).

There are also signs that a bigger company might emerge from the mass of small Australian gold companies, if others follow the example of financier Mr Alan Bond, whose Metals Exploration company recently took over the London-quoted Hampton Gold Mining Areas, which has important Australian prospects. Elders IXL, the brewery group, has bought mining, transport and services companies in Kalgoorlie, the heart of Australia's gold industry.

From the South African point of view the new mines are mostly tiny, producing up to 100,000 ounces a year.

However, taken together, these new producers have cut South Africa's share of Western world gold production from over 70 per cent in 1980 to about 55 per cent last year. It is likely to fall below 50 per cent by the end of the decade.

Moreover, as exploration continues unabated, more new mines are likely to be developed. Big mining companies are stepping up their efforts in relatively uncharted areas such as the Amazon basin in Brazil and in China.

So far demand for gold has kept pace with the growth in supply, largely because jewellery purchases have risen strongly as industrialised countries recovered from recession and because several states have been minting gold coins, including Japan which is striking a coin this year to mark the 60th anniversary of the reign of Emperor Hirohito.

This has compensated for a decline in investment interest, which has been prompted by falling inflation and the rise in stocks and bonds in the 1980s.

Mr Tom Main, assistant general manager of the South African Chamber of Mines, argues that it is a strength of the gold market that there are four independent groups of gold buyers—jewellery makers, industrial companies, investors and central banks.

This is true. But the jewellery market has expanded so much that last year it consumed 900 tonnes of gold—or nearly 75 per cent of mine output. Clearly, these sales would be difficult to replace if the market suddenly fell away. Consolidated Goldfields estimates that growth in jewellers' gold purchases is slowing down—after a 40 per cent post-recession increase in 1984, it rose just 10 per cent last year. Traders believe that this year demand is declining.

Who will buy the gold that the jewellery makers do not want? Central bank interest is much less active than it was before 1970 when gold played a major role in international monetary relations. Dr Chris Stals, director-general of finance in South Africa's Department of Finance, says that although central banks hold large amounts of gold the metal lies almost unused at the bottom of the pile of international reserves. In other words, it seems unlikely that central banks will suddenly become big buyers of gold.

Nor can industry be expected to absorb the gold coming on to the market. While the biggest industrial customers—electronics companies—have increased purchases steadily in recent years they consume a fraction of world supply—some 107 tonnes last year.

So this leaves investors to take up the slack. The extent to which any downturn in jewellery demand affects prices depends critically on the extent to which there has been a long-term decline in gold's importance as an investment medium.

The history of the gold price in the late 1970s and early 1980s shows that the market is anything but predictable. Gold responded strongly to the rise in inflation. It also reacted dramatically to political crises such as the Soviet invasion of Afghanistan. If inflation suddenly begins to rise again or the stock markets slump, then investors could well come rushing back to gold.

But there is little sign of such interest at the moment. Moreover, as Mr Green argues at Gold Fields, the mining industry cannot rely on investors year in, year out. A mine cannot be developed on such a basis. The answer lies in promoting jewellery more aggressively, he says.

However, if gold is increasingly seen as an industrial commodity for the jewellery trade, then its price could be increasingly influenced by supply and demand in the gold market — as happens with other metals.

In that case, for the first time the cost of production would become an important factor in influencing the gold price. The new generation of mines has helped to bring down Western world costs — to an average of $254 an ounce after depreciation in 1984, according to Consolidated Goldfields. The most vulnerable mines are in the US — where production costs are highest. The South African producers are most secure with costs of $240 an ounce in 1984.

But there is clearly room for prices to fall from the current level of about $350 an ounce before producers started losing money. Ironically, the prospectors of the 1980s could well find more gold than is good for the industry and put a dampener on one of the few reasons for celebration in mining in recent years.

Nothing, however, is quite certain in the gold market. In the extreme, any politically-inspired interruption to South African supplies could prove a bonanza for the new "Klondikers." In an industry in which fortune favours the brave, the party at Summitville is unlikely to be the last of its kind.

Men and Matters

Hyman and Unwin merge lists

"I've never done a merger before . . . I'm both exhausted and exhilarated," was the pleased reaction of Rayner Unwin, chairman of Allen and Unwin, to the announcement of the merger between his company and Bell and Hyman, the publishers of that continuing best seller, the Diary of Samuel Pepys.

Unwin is the son of Sir Stanley Unwin, author of The Truth About Publishing, and still a legend in the trade for his acumen and flair.

The family business has always had a top-selling quality author who has kept the firm afloat. In George Allen's day it was Ruskin. In Sir Stanley's day it was Bertrand Russell. And in Rayner Unwin's day the mighty Tolkien. "We have not come to the end of the road with Tolkien yet," he says. "Oh no, not by any means. There are several things still in the pipeline."

Unwin will be the largely non-executive chairman of the new company. The managing director will be the energetic Robin Hyman.

It was eight years ago while he was working for Evans Bros that Hyman, with the help of Hambros Bank, acquired the ancient house of George Bell and, in so doing, also acquired the Pepys property with which he and his editors have made publishing history.

Several acquisitions later Hyman finds himself in a fascinating marriage with a company whose educational and general list neatly dovetails with his own.

And so to bed. And on awaking to the cold light of dawn to the quest for a new Pepys or a new Tolkien.

"I don't want to start a constitutional crisis, but I think you've got the wrong number"

Bill of rights

The walls of Lisbon are becoming plastered with posters and graffiti — but woe betide anybody who tries to clean them.

It is — would you believe it? — unconstitutional to peel off a poster, no matter how old it might be, or to wash off the graffiti.

The 1976 constitution, and its 1982 revision, sanctified the right of free expression — and that right is now interpreted as covering bill-posters and graffiti artists.

Householders trying to clean off layers of general election posters superimposed on presidential election posters superimposed on local election posters risk not only broken finger-nails but a fine.

The government would dearly like to spruce up the city but has not yet found a legal way of doing so. The rights of bill-posters, it says ruefully, are undoubtedly consecrated in the Bill of Rights.

A few hardy householders, in the rare periods when no Portuguese election is in the offing, have been creeping out with buckets and scrubbing brushes in the small hours.

But they have yet made scarcely any impression on the results of a decade of free expression.

Royal blue

Cruising on the royal yacht, Britannia, is not, the Royal Navy assures me, a danger to health.

The yacht is due for a refit at Devonport dockyard some time—probably January—after the royal newly-weds have ended their holiday in the Azores. The teak deck is to be replaced, the royal suite regilded—and blue asbestos is to be stripped from the linings of the Queen's apartments.

"A great deal of blue asbestos was used when the yacht was built," says a Ministry of Defence official, "but it has been progressively removed during past refits. What remains is sealed in compartment linings and does not pose any hazard to health."

The refit is expected to cost around £5m—but the MoD would not confirm the figure yesterday. Not a state secret, but "a matter of confidential commercial information."

Fly Hummingbird

Italy's long-suffering business travellers are soon set to win a reprieve from the delays and overcrowding too often experienced on the Italian state airline.

Next week sees the introduction of the Hummingbird, a new 48-seater turboprop which is intended to bring comfort and speed to those who need to make short-haul flights up and down the Italian peninsula.

The Hummingbird has been unveiled at Naples airport with 200 politicians and businessmen feasting from an exotic table of champagne cocktails and canapes.

Known in aviation circles as the ATR 42 the aircraft is a computer-designed product of collaboration between Aerospatiale of France and Aeritalia of Italy — the two state aerospace companies. It is powered by two American Pratt and Whitney engines, and has a cruising speed of 513 km an hour.

Next week the small airport adjacent to Florence will re-open after 12 years to offer twice-daily Hummingbird flights between Florence and Milan. In September a new service will start between Rome, Florence, Naples and Bologna. Later still there will be a hop from Turin to Marseilles.

Michele Crosio, general manager of Aeritalia, told the crowd under the marquee at Naples that the Hummingbird had been built with executives in mind. To prove his point he then took the guests for a flight over the Gulf of Naples dipping low over the deep blue waters off Capri and Ischia.

Pennyworth

The House of Commons Public Accounts Committee was wrestling with the question of how a factory is valued.

One member, reports the IPCS Bulletin, suggested: "Is it not similar to placing a market valuation on a public lavatory owned by a local authority? The value to the local authority may be substantial but to the institutional investor it would be negligible."

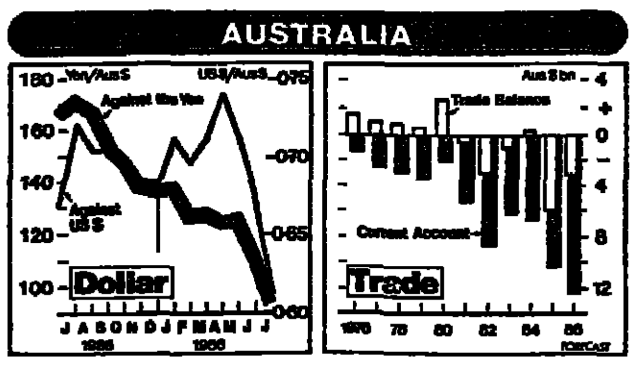
"It depends," replied Scottish Development Agency chief executive, Dr George Mathewson, "whether it is occupied or not."

Observer

Australia's economic crisis

A last chance for the lucky country

By Robin Pauley and Emilia Tagaza



Mr Keating (left) and Mr Hawke.

ECONOMIC crises are becoming a dangerous habit in Australia. And if the addiction to an insupportably high standard of living is not to prove quickly fatal the population will have to endure exceptionally unpleasant withdrawal symptoms during the course of treatment which Mr Paul Keating, the Federal Treasurer, is now trying to prescribe.

International confidence in Australia's economic future is at an all-time low, reflected in the continuing sharp decline in the value of the Australian dollar and the lack of foreign investment in the country. Mr Keating has warned his compatriots in a series of hard-hitting speeches that the country has only one last chance to avoid a fall to Third World status.

The last chance is the 1986-87 budget due on August 19. Yesterday Mr Keating promised anxious markets at home and abroad: "In the face of this massive cut in export income, can the Government make Australia adjust? The answer is that Australia will adjust and this budget will be one of the principal instruments of adjustment."

He was speaking one day after Australia's crisis reached a new pitch: for the first time in three years the Reserve Bank had to intervene heavily to rescue the collapsing dollar, investment rules were relaxed to try to tempt back foreign investors and Mr Keating performed a remarkable U-turn on a piece of taxation policy introduced only four weeks earlier.

However, getting Australians to take even the present crisis seriously is proving very difficult.

Warnings by Mr Keating that Australia could become a "banana republic" and "a third-rate economy" and by a leading industrialist that it risks becoming the "poor white trash of Asia" have washed over Australians like so much warm surf.

With every single economic indicator now flashing red, a failure to set out a tough and realistic escape route on August 19 could result in the final collapse in confidence in Australia's ability to engineer a recovery based on non-inflationary growth. The ensuing political crisis could necessitate external intervention in the shape of an emergency package put together by the International Monetary Fund which would, in turn, put a question mark over the future of the Labor Government of Mr Bob Hawke.

It is difficult to overestimate, therefore, the economic and psychological importance of this year's last chance budget. Crucial to its success will be an acceptance by trade unions that a very austere period may be the only way to safeguard jobs and incomes for the future.

A key factor in both agreeing on a tough budget and selling it will be whether Mr Hawke and Mr Keating can get into harness.

Mr Hawke is a charismatic man of the people whose 15 years as president of the Australian Council of Trade Unions has made him both an agile wheeler-dealer and an articulate defender of unionised labour and centrally negotiated wages. Mr Keating is stylish, articulate and largely self-taught with a passionate conviction that the Australian party is over.

The two personalities have often been at cross purposes since Mr Hawke came to office in 1983. In the early days it did not appear to matter too much because the economy was growing rapidly, taking one of the world's highest standards of living yet higher. So Mr Keating was able to take dramatic initiatives such as deregulating the financial markets and floating the dollar while Mr Hawke basked in rising popularity and told the world that he had cracked the wages-growth conundrum with his Pay Accord. Under this agreement wages were indexed to price rises in return for union agreement not to claim large real increases in pay.

The Accord did seem a way to get employers. Government and unions on to the same mutually beneficial track. But the Lucky Country struck unlucky; the bottom fell out of the world commodity market on which Australian prosperity was founded. And the structural changes needed to cope with such a blow to export revenue are so fundamental as to make an Accord based on growth difficult to sustain.

However, the strains soon became apparent. Mr Hawke and Mr Keating have been pulling against each other repeatedly since last year when it became clear that far from being a new model for a mixed economy, Australia had fallen into all the standard economic holes: collapsing commodity export prices typical of much of the Third World, internal regidities preventing domestic wage and price adjustments similar to those afflicting Britain a decade earlier, and a Latin American-style collapse in the balance of payments.

The brutal fact is that Australia is virtually a single sector economy. Mineral and farm commodities account for four-fifths of exports but in nearly all commodities Australia is a price-taker and not a price setter. This means it has been powerless against the dramatic fall in world commodity prices.

It has continued to live the good life on the back of foreign borrowing; the private sector took one look at the high domestic interest rates and borrowed abroad. Net external debt soared from A$7.3bn in 1980 to A$52bn in 1985 (25 per cent of GDP). About one third of the country's total export income now goes towards debt service) against only 8 per cent five years ago.

Consequently, the terms of trade worsened and the current account deficit ballooned, increasing by 34 per cent to A$14.3bn in 1985-86. All growth engines shut down bar one: imports whirred to satisfy the demand of consumers spending wages paid out of an economy no longer earning them.

Small and large investors know an exit sign when they see one. International share trust funds report that in the six months to June they accepted at least A$400m of Australian small investors' money for placing in foreign equity markets and other harder currency instruments compared with just A$100m for the whole of 1985.

Institutional investors including pension fund managers have increased the proportion of funds invested offshore to between 25 to 40 per cent now from 5 to 10 per cent up to last year.

A further twist to the difficulties has been the link between a depreciating currency and inflation. The rapid devaluation of the floated Australian dollar against the US dollar and Japanese yen should have been a boost for exports and a restraint on domestic consumer demand for imports. However, exports failed to respond quickly enough because of the typical time lag involved before devaluation effects filter through and inflation started to rise, fuelled by the indexed wage system.

Against this background, Mr Keating was already preparing a bitter austerity pill for the budget when his ailing economy fell out of bed again on Monday, mainly because of last week's announcement that the 1985-86 inflation rate turned out to be 8.4 per cent, double the previous year's figure and three times the average level for the 24 OECD states.

The Government moved fast on Monday. The Reserve Bank yanked the dollar out of a nose-dive and Mr Keating opened up the economy to foreign investors. He also removed the 10 per cent withholding tax on foreign borrowings imposed on July 1 in a U-turn which suggested panic.

With the patient back in bed, at least temporarily, Mr Hawke and Mr Keating must now return to their budget deliberations. Mr Keating has increased his demand for public sector cuts in 1986-87 from A$1.4bn to A$2.5bn as part of the strategy to limit the public deficit to A$5bn in 1986-87. The most controversial cut he wants is lower pensions and family allowances to save A$350m and there may be equally contentious demands for a cut in Australia's generous unemployment pay.

It is not at all clear that Mr Hawke is yet prepared for the loss of popularity which Mr Keating's strategy implies. Policy differences between the two are being noted gleefully by Mr John Howard, the opposition leader, who is standing by with his own mixture of free market policies in case Mr Hawke dithers over the August budget and then falls as the crisis overwhelms him.

There is one small piece of evidence, however, which indicates that Mr Hawke's Australians may understand the predicament better than he believes. One of the best selling history books in recent times compared Australia's economic history with that of Argentina, both similar in their historic reliance on commodity markets and the vast protectionist barriers erected around their internal economies. In the 1920s Australia and Argentina were the sixth and seventh wealthiest nations in the world in terms of per capita income. Australia has now dropped out of the top 10 and is about 18th. Argentina has fallen out of the top 50.

British education

Fostering an instinct for the marketplace

By Larry Siedentop

THE CONCERN of some members of the Thatcher Government to foster "economic awareness"—an important and well-intentioned concern—can easily lead to mistaken conclusions. How can the sense of being an economic agent and the rationality appropriate to market relations be fostered? The idea that formal instruction in market economics can do more than affect at the margins schoolchildren's sense of identity is dubious.

Far more important is the sense of identity brought to the schools and universities, and it is here that Britain has differed from most developed Western societies.

After all, attitudes towards market relations can take three forms. First, the market can be seen as something embracing everyone, something everyone has at least a tolerable chance of turning to his or her advantage. Secondly, the market can be seen as something external and hostile, serving the interest of one well-defined group in society at the expense of another. And, third, the market can be seen as something external and favourable, something which exists to protect the interests of one's own social group.

The first attitude might be called essentially middle-class or bourgeois—the market as *bedfellow, so to speak.* The second should probably be called "proletarian"—the market as devouring monster; while the third is upper and upper-middle class—the market as poodle. The great British problem, at least until recently, is that far too many people have viewed the market either as poodle or as devouring monster. The intermediate or middling attitude—regarding the market as bedfellow—has simply not been spread widely enough. That perception, which depends upon people imagining themselves into the marketplace without feeling radically disadvantaged or advantaged, is what has developed in the post-war period in Western Europe and Japan, influenced, no doubt, by the model of American society.

The deeper, instinctive attitude towards the market is shaped largely by the family and, perhaps, by early schooling. Identifying with people who seem *in* a market, *above* it or *below* it, is the crucial experience — an experience compared with which, mere learning about the theory of the market at a later age can hardly compare in motivating force. And if that is the case, then it follows that a truly reforming government will have to address itself to social arrangements which impede mobility, both social and geographical. It will have to ask difficult questions about the distribution of wealth, premature specialisation in the schools and ease of entry into the professions.

This undesirable distribution of attitudes towards the market throws considerable light on the failures of economic rationality in the UK. The failure of the Left to root its proposals in a plausible framework of resources and costs is not accidental. For when agents have never felt that they had access to a market on anything like equal terms, they do not internalise its disciplines. Appeals to self-restraint in wage bargaining have therefore fallen on almost literally deaf ears in the UK compared, say, to Germany, Holland, France or the US. When seeking a protected niche in a world felt to be essentially hostile becomes the standard mode of operating for a social group, it cannot shift suddenly into the sort of rational or cost/benefit analysis which comes naturally to agents accustomed to market calculations. The behaviour of individuals from that group who begin, tentatively, to internalise such a mode of thinking, is more likely to be labelled "treasonous" than "rational."

By the same token, those in a relatively advantaged social group inclined to regard the market as a poodle are more likely to go for immediate profits than to worry about developing an industrial and commercial system which might be of general benefit to the nation. It is tempting to suggest that the strength of the financial as opposed to the industrial sector of the British economy has, in that sense, roots in the structure of British society.

Is there then nothing that British educational institutions can do to change or offset this pattern? There is something. For the pattern of early specialisation imposed by British education reinforces immobility. It inhibits social and geographical mobility, by making students cautious and rather inflexible. Students approach the marketplace, in consequence, not so much with confidence as with an unstable mixture of greed and fear. Instead of correcting the vices of British social structure, premature specialisation reinforces them. Instead of carrying on with a reasonably spread of basic subjects until the end of their schooling, students are confined to a few subjects at which they become relatively adept.

The result, doubtless unintended, tends to confirm social position rather than giving some the confidence to break out of their background. Having a core of basic subjects which everyone does until a relatively advanced age provides a kind of social melting pot, whereas early specialisation has the effect of humiliating those whose social origins point initially in a vocational direction. Pupils find themselves so far outstripped in certain basic social attainments ("liberal" in the best sense of the word) that they no longer wish to measure themselves against others, and thus a kind of despair is created which sustains a luddite attitude later in life.

But it is not only those socially disadvantaged who suffer from the reduced competition in society which results. To put it another way, children from upper-middle class backgrounds in Japan, France or the US have *expected* to meet far more competition in their attempt to retain their social and economic advantages than their counterparts in the UK. That expectation, in turn, has ruled out complacency and helped to generate a more innovative attitude, especially in industry.

The author, a Fellow of Keble College, is a university lecturer in politics.

Letters to the Editor

Spending by councils

From the Borough Treasurer, Trafford Metropolitan Borough Council.

Sir,—Your article "councils exceed capital spending limit by 37 per cent" (July 23) adds weight to the popular, but mistaken, belief that local authorities are profligate in *their capital spending.*

The truth of the matter, I would suggest, is that not one local authority has exceeded its own individual spending limit which, paradoxically, is derived from the Government. The problem lies with the Treasury computing an apparently arbitrary annual cash limit in aggregate, which bears no resemblance to the pertinent individual authorisation levels for local authorities arrived at by reference to the Local Government, Planning and Land Act! It is no wonder that the Treasury target cannot be met, but placing the blame every year at the doorstep of "inefficient" local government is something of a distortion.

G. Laws,
*PO Box 10,
Warbrick House,
Washway Road,
Sale,
Manchester.*

Barriers for communication

From Mr A. Aldridge

Sir,—The connection of any apparatus to the public telephone network is controlled in law—and the law requires that any such apparatus shall be officially tested and covered by a certificate issued by the testing authority, British Approvals Board, Telecommunications (BABT) before connection is made.

It is absolutely right and proper that the BT network should be protected from apparatus that might be dangerous to BT plant and personnel or which might interfere with signalling arrangements or cause interference to other subscribers. But I question whether the current arrangements to ensure protection are the most sensible in the real world in which we live.

At the moment, BABT has an enormous backlog of devices awaiting approval. It is also refusing to accept some other devices on the grounds that they are so new that there is no official test procedure against which to test them.

In either case the *result is* the same—needless expense to manufacturers or prospective manufacturers and to the country in general. For when a manufacturer cannot get his product line moving, it costs him money. If he lays off staff, or cannot take on new staff for new production, the country pays out for unemployment.

The problem could be solved by producing a "universal barrier device." This would have standard BT connection terminals/sockets at one end and terminals at the other end to connect private apparatus. Between the two sets of terminals would be over voltage and over current protectors, an isolation transformer, a bandwidth limiting circuit keeping to speech frequencies and speech frequency volume level control. Relay contacts for "dialling" and "hold" could be equally protected and their operating rates and standards controlled within the device.

If this "universal barrier device" were approved by BABT, then anyone could use it without need for time consuming procedures for getting each individual piece of apparatus approved. BT would be assured of complete protection.

There is already a precedent for an approved general device to be used to connect non-BABT-approved units to the telephone network. The modem for connecting home computers, not in themselves approved by BABT, is an example. It is the universal application of this precedent that is required.

The public and commercial demand for such a unit would enable reasonable production runs for its manufacture so that it need not be expensive. It would at least demolish the "arguments" of those who at present try to connect equipment illegally to BT lines.

A. R. Aldridge,
*Stephyns Chambers,
Bank Court, Marlowes,
Hemel Hempstead, Herts.*

Fat or thin ships

From Mr G. Watts

Sir,—I refer to the article "Fat v Thin" on July 23. One can understand how the type 23 frigate with its length/*breadth ratio of 8.5 to 1* evolved when speed (which varies as the square root of the water-line length) was expensive to produce. even with labour and steel comparatively cheap, but the additional cost of steel for providing for the greater bending moment of a long ship must be considerable—probably astronomic. Hence with modern engines and present day costs, a more normal length/breadth ratio of 5 to 1 is obliged to be more economical, quite apart from the other advantages.

I should have thought the various parameters could be plotted on a graph and the optimum solution found. Even a ratio of 5 to 1 cannot be called "short and fat."

May I suggest that the exercise be set to the various fourth year courses at our naval architecture schools? All the information required must be readily available.

G. A. H. Watts,
*Strout House,
Strout, Nr Chepstow,
Gwent.*

Marriages myth

From Mr J. Ecklin

Sir,—I was surprised to see a newspaper, as experienced as you are in the use of statistics, continuing (July 23) to perpetuate the popular myth that "the marriage break-up rate is one-in-three."

While this is true that there are roughly 160,000 divorces per year and roughly 400,000 marriages each year, you are forgetting the large "stock" of existing marriages. There are roughly 12,500,000 existing marriages, which means that the break-up rate is only about 1½ per cent, a much less distressing rate.

John Ecklin,
*19, Eastwick Park Avenue,
Great Bookham, Surrey.*

Effects of the tunnel

*From the Director,
British Road Federation.*

Sir—Andrew Taylor's article (July 25) on the economic and environmental effects of the Channel tunnel was right to lay emphasis on the potential clash between *these two* considerations.

If we want to maximise the economic benefits and minimise the environmental impact it seems to me imperative to provide a transport infrastructure which will encourage development over the widest possible area.

If this is to be achieved we need not only a *fully* operational and effective M25 and the East London river crossing, which Mr Taylor mentions, but also a completed M40 between Oxford and Birmingham and many other better road links. Even a second Severn bridge is an important factor.

A study of French plans for highway links to the tunnel shows proposals for new roads far beyond the immediate area of the Pas de Calais.

Peter J. Witt.
*Cowdray House,
6, Portugal Street WC2.*

Voting for Europe

From Mr B. Anderson

Sir, — Expatriates who have not lived in the UK within the last five years will continue to have no voting rights in the UK elections. I cannot honestly quibble with *this.* UK politics are really a matter for UK residents only.

I am however, a European citizen, born in one European state and living in another but with no right to vote in European parliamentary elections. We expatriates might not make perfect voters but are we not better qualified, than most other Europeans to vote in European parliamentary elections?

Probably the reason why European politicians are dragging their feet in giving us a European vote is that we might be instrumental in giving Europe a tiny bit of momentum which they could not control.

Barrie Anderson,
*Kronprinzstr 131,
4018 Langenfeld,
West Germany.*

Representation and taxation

From Mr A. Kirkby

Sir,—When Mr Denham (July 26) refers to me as "a Mr Kirkby" instead of as "Mr A. Kirkby" I sense that I have annoyed him. When he asks me "to apologise publicly for an undeserved insult to his fellow citizens," I realise that I have been misunderstood.

I did not say that most British expatriates left Britain in order to escape the UK Inland Revenue tax net. What I did say was that most British expatriates (whose reasons for living abroad I have not commented on), "understandably accumulate" their earnings outside the UK tax net.

It was interesting to see that the idea of "no representation without taxation" did not go unsupported among expatriate correspondents. Tom Paine would have agreed too, I think.

Andrew Kirkby.
*7, Riverside Court,
Colleton Crescent,
Exeter, Devon.*

Mobility of labour

From Mr S. Mobbs

Sir,—Does Mr Tebbit's proposal (July 28) to reduce unemployment benefit in areas of relatively low unemployment and to increase it in areas of relatively high unemployment represent a shift in the Government's economic philosophy?

Until now, I had understood the Government to be in favour of promoting labour mobility from areas where jobs were in short supply to areas where they are relatively plentiful. Mr Tebbit, on the other hand, appears to favour giving incentives to the unemployed to "get on their bikes" to areas where unemployment benefit is highest but the prospects of finding a job lowest.

S. N. Mobbs,
*Flat 4,
130a Haverstock Hill, NW3.*

FINANCIAL TIMES

Wednesday July 30 1986

Canberra defends timing of package

BY EMILIA TAGAZA IN CANBERRA

MR PAUL KEATING, the Australian Treasurer, denied yesterday that the relaxation of foreign investment regulations that he announced on Monday was a panic measure to prop up the Australian dollar.

The measures had been contemplated for some time, Mr Keating said. He and Mr Bob Hawke, the Prime Minister, had finalised them on Monday. "They would have been announced on Monday regardless of how the exchange rate was doing," Mr Keating said.

He conceded, however, that the Government had made a mistake in introducing the interest withholding tax on Australian foreign securities earlier this month. The package he announced on Monday restored the exemption for securities but not for foreign borrowings by government corporations and authorities. Mr Keating said the effect of the tax on the Australian dollar was far greater than the Government had expected.

Mr Keating's remarks came as the Australian Chamber of Manufacturers and the National Institute of Economic and Industry Research forecast that the country's real gross domestic product was likely to increase by only 1.9 per cent in 1986–87 against world growth of perhaps 2.8 to 2.9 per cent. Real growth for 1985–86, on the other hand, was likely to have reached 4.1 per cent despite the economic slowdown of the last six months.

The foreign investment package was generally welcomed by the financial markets and by business. The package includes the dismantling of most restrictions on foreign investment and the abolition of taxes on profits made in Australia by foreign investors.

[A return of confidence in the Australian dollar was seen as crucial in Sydney markets yesterday where the All Ordinaries index regained part of its 24-point fall of the previous session to end up 11 at 1,105.5, writes Perrie Croshaw in London.

[Property developers scored strong gains after the Government's relaxation of foreign investment regulations which stipulated that 50 per cent Australian equity was required before a foreign company could buy a property group.

[A London-based analyst for an Australian stockbroker said that the markets would be looking for a tight budget in August as a sign that the government was coming to grips with the fundamental problems.]

The Australian dollar traded at a steadier course yesterday although there was still some volatility as it moved to a high of 62.4 US cents before falling to 60.8 cents.

The corporate foreign exchange manager of the National Mutual Royal Bank, Mr Guy Immanuel, said that the Labor Government's preparedness to make swift decisions on foreign investment helped to restore confidence in the short term, but there were other factors that would determine long-term stability including the balance of payments performance and the budget. He said the 1986-87 budget expected to be announced on August 19 would largely influence the prospects of the Australian dollar.

Property consultants said that the lifting of controls on foreign investment would attract considerably more interest but the investments themselves would take much longer to materialise. The director of merchant bank Schroder Darling's property division, Mr Jeremy Lewis, said that most institutional investors were interested in very prime office buildings but these were not easily available at present.

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OECD tells Italy to cut budget deficit

BY PAUL BETTS IN PARIS

WINDFALL gains from the collapse of oil prices and the lower dollar should not deflect the Italian authorities from the urgent need to draw up a credible policy to reduce the country's huge public sector deficit and control government spending.

This is one of the main recommendations of the annual report on the Italian economy by the Organisation for Economic Co-operation and Development (OECD) published yesterday. Although prepared before the latest Italian political crisis, it provides a blueprint for the new Government's economic policy.

The OECD says the new Government will have to make the reduction of the budget deficit its highest priority. But the Paris agency also notes somewhat despondently that past efforts to stabilise the Italian deficit have seldom succeeded.

Unemployment and the state of public finance remain fundamental problems, despite an improved short-term outlook due to the devaluation of the lira last year, the depreciation of the dollar and falling commodity prices, especially oil.

Growth is expected to pick up to about 3 per cent this year but this will hardly be sufficient to reverse the rise in the rate of unemployment, which increased to 11.1 per cent in the second half of last year. The OECD adds that the official unemployment figures do not tell the whole story and that the true rate is closer to 12.5 per cent.

On the positive side, the OECD says the consumer inflation rate is likely to drop to 5.5 per cent this year from 9.4 per cent last year and fall further to 3.5 per cent next year. The balance of payments current account is also expected to show a surplus of $4bn this year.

The general government borrowing requirement is expected to decline to 12 per cent of gross domestic product (GDP) compared with 14 per cent last year. In lira terms, the borrowing requirement would total L91,900bn ($62.7bn) this year compared with L95,800bn last year.

However, the OECD adds that the improvement expected in economic performance in the next two years does not lift the clouds which still hang over the Italian economy.

In the medium term, the OECD says the only way Italy can substantially reduce inflation in a sustained way is by a lasting reduction in the growth of the monetary aggregates. "This requires the elaboration of and the strict adherence to a comprehensive economic policy programme combining appropriate monetary targets with ambitious yet realistic objectives for fiscal consolidation and supportive incomes policies," the Paris agency recommends. The OECD also backs the efforts of the Bank of Italy to move from a system of direct credit controls to one of indirect regulation of the money supply.

For the OECD, the chronic public sector deficit and the size of Italy's public debt are among the biggest difficulties facing the economy and cramping economic policy. Total public debt outstanding is forecast to exceed 100 per cent of GDP by the end of next year and the OECD says there are no immediate prospects of stabilising this ratio if no corrective steps are taken. The public debt outstanding, estimated at L634,900bn last year represented 95.9 per cent of GDP which at current prices totalled L684,900bn.

The OECD believes that the first step towards controlling Italian public finances would be to draw up a "credible policy programme" for stabilising the debt-GDP ratio in the medium term.

LME may link with commodities market

BY ANDREW GOWERS AND STEFAN WAGSTYL IN LONDON

THE London Metal Exchange (LME) has been urged to implement radical changes in its administration by a report from management consultants Price Waterhouse, commissioned in the wake of the international tin crisis.

The proposals include launching a far-reaching study into forging close links with the separate London Commodity Exchange (LCE), the market for agricultural futures contracts.

It is understood that the Price Waterhouse report suggests that the LME, which has been independent since its foundation in 1877, should see if there would be any "commercial advantage" in co-operating with the LCE to cut costs, in particular by moving into Commodity Quay, a new office block in the City of London being fitted out for the LCE.

Although any decision on a move is unlikely to be made quickly, the fact that it has even been suggested indicates the financial pressures which face both London exchanges at a time of recession in commodity markets.

The LCE is having difficulty filling Commodity Quay, which is due to be completed by next Easter. The LME has more immediate problems. It is struggling to recover from the tin crisis which resulted in heavy losses, the withdrawal of several traders from the market, legal action and a continuing loss of confidence by customers.

The confidential Price Waterhouse report concentrates on the management of the LME.

Brussels offers truce in pasta war with US

BY TIM DICKSON IN BRUSSELS

THE EEC last night offered a four-month truce in its so called "spaghetti war" with the US. In an unexpected development, Mr Willy de Clerc, the EEC's Trade Commissioner, telephoned Mr Clayton Yeutter, the US trade representative, to spell out the details of his interim proposal. The US promised to give a rapid response.

The EEC initiative came just ahead of tomorrow night's informal deadline after which the US has threatened to step up retaliatory action. Although progress has been made during the last few days of negotiations, the EEC believes that the two sides are still too far apart to reach agreement in the next 48 hours.

The dispute arose through the US conviction that its citrus exports were being hit by the EEC's extensive network of trade arrangements with Mediterranean countries. Last June the US imposed substantially higher duties on EEC pasta, a move which was followed shortly afterwards by an EEC decision to raise its duties on US walnuts and fresh lemons.

The new EEC proposal to buy more time for the negotiators is designed to overcome one of the major sticking points in the dispute. So far the US has refused to meet a key European demand not to challenge the Mediterranean agreements in future, on the grounds that some of these are currently being renegotiated. The EEC points out that the period of its truce will provide time for the final terms to be settled

Botha rejects EEC 'interference'

Continued from Page 1

number of "elements" which he said "obstruct us in using this key."

They include the question of punitive action against other countries which differentiate between racial and ethnic groups, the release of political prisoners in other parts of the world and the linkage of South Africa's problems to those of other countries with racial, ethnic and religious tensions.

The South African Government is clearly eager to focus international attention not only on its own limited political reforms but also on the shortcomings of governments in other parts of the world.

Sir Geoffrey set out in a prepared statement what he has been saying repeatedly to his South African hosts over the past week. What was needed was that the South African Government should agree to release Mr Mandela and other political prisoners, to unban the ANC and other black political groups, and to enter into a peaceful dialogue with them. But the UK Foreign Secretary emphasised that there had to be a "matching commitment" from the ANC to call a halt to violence and to begin peaceful negotiations.

"In short, each side needs to make an offer that the other cannot refuse," he said. Such an approach would reflect the mandate given to him by the European Council in The Hague at the end of June. "It would offer the possibility of substantial and tangible progress without which further measures against South Africa are lik^ly to be taken in one forum or another in the next few months."

Sir Geoffrey added that "the blunt truth is that, sooner or later, all the people of South Africa will have to get around the negotiating table. It is plain commonsense that it should be sooner."

● Mr Neil Kinnock, leader of Britain's opposition Labour Party, said that Sir Geoffrey had clearly failed in his mission, writes Michael Cassell in London. Mr Kinnock added: "The man cannot be blamed for trying. The woman can be blamed for making him try."

Mr Kinnock claimed that, from the outset, the Foreign Secretary's mission had been an obvious delaying tactic. By adopting such an approach, Mrs Margaret Thatcher had damaged the Commonwealth and the Commonwealth Games "and made Botha feel stronger."

Mr Denis Healey, Labour's foreign affairs spokesman, said that the world was "sick and tired of procrastination" and would now demand immediate action.

Baldrige says Japan must cut trade gap

Continued from Page 1

alists and leaders of this country – to back up the Prime Minister's words with real action," Mr Baldrige said yesterday. "We must uproot the barriers deeply buried in private business relationships and traditional practices. I realise the difficulties involved, but the alternatives are worse."

Mr Baldrige said he had been looking for rapid progress on three areas of trade friction between the two countries – semiconductors, civil engineering project procurement and motor components.

He seemed optimistic about a resolution of the long-running semiconductor dispute by tomorrow night's deadline and was content with assurances from the Prime Minister, Mr Yasuhiro Nakasone, that foreign machinery suppliers would be allowed to bid on equal terms to supply goods for the $8bn Kansai airport project near Osaka. Talks on motor parts trade were still at an early stage.

He reminded the businessmen that the US was not alone in complaining about Japan's trade behaviour. The European Community, Taiwan and South Korea had all taken action against Japan recently, all because they did not have the access to Japanese markets that Japan had to theirs.

"As the acknowledged beneficiary of the Gatt system, the Japanese people must decide if Japan will also continue being the major problem in the system," Mr Baldrige said.

Japan's trade behaviour also meant that it was not carrying its share of international responsibilities, Mr Baldrige charged.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	28	82	Dubrovnik	S	27	81	Malta	S	31	88	Rhodes	S	29	84
Algiers	S	31	88	Edinburgh	C	15	59	Manchester	C	15	59	Rio de J'o	—	—	—
Amsterdam	C	19	66	Faro	S	30	86	Manila	C	33	91	Rome	S	28	82
Athens	S	31	88	Florence	S	32	90	Melbourne	C	13	55	Salzburg	S	29	84
Bahrain	C	39	104	Frankfurt	F	31	88	Mexico City	S	25	77	San Francisco	—	—	—
Bangkok	C	31	88	Funchal	S	24	75	Miami	R	31	88	Seoul	C	27	81
Barcelona	S	28	82	Geneva	F	31	88	Milan	S	30	86	Singapore	F	30	86
Beirut	—	—	—	Gibraltar	F	24	75	Montreal	C	28	82	Stockholm	F	25	77
Belfast	C	15	59	Glasgow	F	19	66	Moscow	C	26	79	Strasbourg	S	31	88
Belgrade	S	25	77	Guernsey	F	17	63	Munich	F	29	84	Sydney	S	17	63
Berlin	S	30	86	Helsinki	F	24	75	Nairobi	C	20	68	Taipei	—	—	—
Biarritz	C	22	72	H. Kong	F	31	88	Naples	S	34	93	Tangier	F	32	90
Bombay	F	29	84	Innsbruck	R	27	81	Nassau	C	33	91	Tel Aviv	S	30	86
Bordeaux	C	24	75	Inverness	C	15	59	New Delhi	C	27	81	Tenerife	S	25	77
Brussels	F	23	73	Islamabad	C	36	97	New York	C	30	86	Tokyo	S	33	91
Budapest	F	26	79	Istanbul	S	27	81	Nice	S	28	82	Toronto	C	28	82
B. Aires	S	14	57	Jakarta	R	30	86	Nicosia	S	37	99	Tunis	S	30	86
Cairo	S	34	93	Jersey	C	17	63	Oporto	S	24	75	Valencia	S	31	88
Cape Town	S	21	70	Jo'burg	S	18	64	Oslo	R	18	64	Venice	S	28	82
Caracas	S	27	81	Lima	C	18	65	Paris	C	22	72	Vienna	S	27	81
Casablanca	F	27	81	Lisbon	S	30	86	Peking	R	30	86	Warsaw	F	26	79
Chicago	S	30	86	London	C	20	68	Prague	S	28	82	Washington	—	—	—
Cologne	F	26	79	Los Angeles	C	16	61	Reykjavik	S	12	54	Zurich	F	31	88
Copenhagen	S	25	77	Luxembourg	C	22	72								
Corfu	S	32	90	Madrid	S	32	90								
Dallas	S	24	75	Majorca	S	30	86								
Dublin	C	15	59	Malaga	S	28	82								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Paris agrees satellite plan

Continued from Page 1

ment doubts over the viability of the programme.

Although Mr Chirac decided to go ahead with the controversial project yesterday, his Government is expected to renegotiate the concessions to operate the four channels on the French satellite.

Raymond Snoddy in London writes: The French decision is likely to stimulate Britain's hopes to launch a three-channel DBS venture. The Independent Broadcasting Authority (IBA) has already advertised for applicants to run a three-channel franchise. It looks as if there could be as many as four serious applicants for the franchise.

France to cut 20,000 jobs in civil service

By Paul Betts in Paris.

THE FRENCH Government is expected to cut about 20,000 jobs in the civil service next year and halve the level of admission to the exclusive Ecole Nationale d'Administration (ENA), the establishment which grooms all top civil servants and most political leaders in France.

The conservative Government, which has pledged to reduce the weight of the state in French affairs, is to launch its reform of the civil service with major changes in the recruitment policies of ENA. This is despite the current administration having more former ENA graduates among its ranks – including Mr Jacques Chirac, the Prime Minister, than any French Government in recent years. Mr Laurent Fabius, the former Socialist Prime Minister, was also an ENA graduate.

At the same time, the Government plans job cuts in the civil service as well as a freeze on public sector wages as part of its budgetary restraint next year.

Mr Herve de Charette, the minister responsible for the civil service, says a maximum of 80 new students will be admitted to ENA next year compared with 166 in the last academic year. The ENA course will be scaled down to 24 months instead of the current 29-30 months.

The Government will also abolish the practice, introduced by the former left-wing Government, of allocating a number of ENA places to trade union members, local government politicians and members of local community associations. This decision was immediately criticised by the Socialists and the Communists yesterday as a move designed to make ENA an even more elitist institution.

Mr de Charette has decided to increase contacts between the civil service and the private sector by hiring experts from the private sector to work for the administration on a temporary contractual basis.

Although Mr de Charette suggested that the civil service would shed a total of between 10,000 and 15,000 jobs next year, the Finance and Economy Ministry indicated yesterday that the number of jobs likely to be cut would involve about 20,000 people out of a total of 2.5m French civil servants.

Komatsu's UK union shapes up

By Philip Bassett in London

BRITISH WORKERS are hauling themselves fully into the Japanese age under the single-union agreement announced yesterday by Komatsu, the earth-moving company, which stipulates for the first time in a UK-based Japanese company that employees must take part in daily physical exercises at the workplace.

Physical jerks to music are commonplace in many factories in Japan but, so far, Japanese companies setting up in the UK have shied away from introducing them in Britain, believing that while many of their own industrial practices can be transplanted, compulsory workplace exercises are too alien to British culture.

But the 250 workers to be employed at Komatsu's new plant at Birtley, Newcastle-on-Tyne, will be required to perform five minutes of daily exercise before work starts when the plant becomes fully operational early next year. Preliminary staff employed there now are already exercising.

Dr Clive Morton, director of personnel at Birtley, said his original judgement had been not to introduce exercises, but after seeing them in practice in Japan he thought they offered positive benefits – not just in terms of fitness and morale, but in terms of avoiding accidents as well.

Komatsu is aware that persuading its production workers – 3,000 have so far applied for jobs with the company – to exercise may be difficult, but Dr Morton said: "We think it's worth the attempt."

The exercises are a novel part of the single-union package the company unveiled yesterday with the Amalgamated Engineering Union, whose leaders proclaimed themselves "delighted" with the deal.

Though final details are still to be worked out, the agreement is likely to be a strike-free deal, featuring the pendulum arbitration strike-substitute mechanism, now in place at other UK-based Japanese companies such as Nissan, Hitachi, Sanyo and Toshiba.

The deal features full workforce flexibility, single employee status, including full uniforms and a single restaurant.

Suppliers named, Page 6

THE LEX COLUMN

The pleasures of cheap money

If doubts about the physical well being of the Prime Minister were behind Monday's market malaise, evidence that her political death has also been exaggerated was enough to reverse the trend. Having continued in a southerly direction throughout the morning, a Mori poll showing the Government only a point behind Labour was the trigger for a 20 point uninterrupted run up on the FT-SE 100. There was even an institutional buying order covering 50 stocks. Investment buying – whatever next?

NatWest

It would be difficult to think of a less seasonal business than banking, so the convention of comparing one set of interim figures with the same period in the previous year is probably less accurate as a measure of performance than a comparison with the previous six months. The distinction is particularly apposite in the case of National Westminster's interim pre-tax profits of £482m – 34 per cent up on the first half of 1985, but less than 9 per cent ahead of the second half. Naturally the board prefers the conventional method of comparing and contrasting but even the less charitable version represents a robust response to competitive trading conditions, right at the top end of market expectations and prompting a 5p rise in the share price to 517p.

At times, NatWest appears to defy the received wisdom that clearing banks suffer as interest rates fall. This is due reward for the company's long term strategy of making itself less rate sensitive, by building up its fixed rate loan book and 'strategic' gilt portfolio. The British businessmen who took NatWest's hard sell of fixed rate debt are now keeping the bank in the pink, although doubtless the same borrowers are also a significant element in the increased specific provision for bad debts. That, however, should be deductible from profits. NatWest's decision to capitalise on its gilts position is one reason why the figures beat the analysts' projections. A gilt dealing profit of £38m is hardly the sort of thing that can be predicted, although the quality of the earnings increase must be judged as being correspondingly low.

Although the home banking side takes most of the credit for the improved performance, maintained stated earnings from the American business are the more impressive, set against the dollar depreciation. And in the US NatWest cannot rely on the singular apathy of the UK retail customer. The continued popularity of the deposit account verges on the bizarre, particularly as NatWest's margin on this gravity-delying business has risen from 3 to 3.8 per cent. Perhaps these are the personal accounts of the businessmen who have given the bank such a lucrative fixed rate loan book.

The target for NatWest's £714m rights issue loot remains as mysterious as ever. The company has never, to its credit, been one for king-sized acquisitions. More than ever it appears that the cash was designed to move the bank off the bottom place in the league table of free equity ratios.

Dee Corporation

Dee Corporation moves so fast that what happened as recently as last year seems ancient history. So the market took little notice of pre-tax profits up 29 per cent in the year to April at £83m, and the shares closed unchanged yesterday at 230p. But as a demonstration of the group's talent at putting businesses together and cutting the cost base it is instructive.

As familiar names in the high street have disappeared under Gateway fascias, Dee has made full use of extra buying power, streamlined distribution and cut overheads. Last year International Stores started to get the treatment with a consequent improvement in margins there, and this year Dee begins work on Fine Fare. No one seriously doubts Dee's ability to work the same trick again, and it is taking care not to run the risk of losing control. And as Fine Fare has not been the most price competitive supermarket in the past, there is room to improve volumes. It may take three or more years to get Fine Fare fully integrated, but significant savings such as some of the £24m head office costs, will come this year.

Fine Fare is probably Dee's last big acquisition in UK food retailing, but at the same time Dee plans to expand by increasing selling area this financial year from a base of 7m square feet by 1½m square feet. Otherwise growth will come from deals like the US purchases starting with Herman's and no doubt not stopping with M & H. The principle is the same: building the share of a fragmented market and making economies.

The cost to investors of these deals has been a huge overhang of shares and a rise in the tax charge from under 10 per cent to the low twenties. Just to maintain earnings per share at 16p Dee would have to report pre-tax profits around £180m this year. And as Dee is confident of a rise in earnings, forecasts centre around £205m. The prospective multiple of 12¾ looks cheap against Dee's competition, but will probably stay that way for a while.

Index funds

If River & Mercantile's experience is anything to go by, UK fund managers and pension fund trustees are a long way from being convinced about index funds. Having set itself a tight three weeks to raise £150m from institutions, River & Mercantile's decision to postpone the launch of its International Index Trust until late autumn suggests a lukewarm response. And meetings with likely buyers have shown that there must be some tinkering with the product before it finds acceptance.

But the main problem is one of size. In order to track the index as closely as the US index funds do, the trust would have to invest in a much wider spread of investments than its managers intend, and that could only be done cheaply with a much bigger fund. If the trust is going to underperform as much as the fund managers already do, they need not fear for their jobs just yet.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday July 30 1986

SPECIAL CHARGES HIT US STEEL GROUP

Armco suffers further setback

BY TERRY DODSWORTH IN NEW YORK

ARMCO, the struggling US steel company, suffered a further serious loss in the second quarter of this year when it was hit by a new round of special charges to cover the cost of rationalising its business. Armco's net loss for the period amounted to $384.7m, or $5.88 a share – more than half of its sales of $657.7m.

In the same period last year, the group lost $25.7m on sales of $784.8m.

The figures were heavily affected by the recent bankruptcy filing of LTV, the country's second largest steelmaker, which has a joint venture with Armco to produce taconite iron ore pellets in Minnesota.

Armco has set aside a total of $235m for its share of the debt and other potential expenses that would be incurred by the jointly-held mining company, Reserve Mining, if it were forced to close.

Armco took a further charge of $108m for consolidation of the group's oilfield equipment business, and the loss also includes a $42m deficit on the sale of several fabricated products activities.

In the first six months, the net loss amounted to $447.6m, or $6.63 a share, on sales of $1.34bn, compared to a deficit of $52m, or 83 cents a share on sales of $1.55bn in the same period of 1985.

Mr Robert Boni, chairman, called the LTV bankruptcy a "grim reminder" of the plight of the US steel industry in general. But he told shareholders that Armco was "holding its own" because of the strong demand for high value-added products in both the automotive and electrical steel markets.

The group was now nearing the end of an intensive 18-month period of down-sizing and divestment and had generated about $100m recently from the sales of its construction products business and other small operations.

On an operating basis, before interest and tax, Armco's carbon steel division made a profit of $20.3m on sales of $395.5m in the quarter, while special steels generated profits of $13.5m on sales of $149.4m.

Capacity utilisation rose to an average of 85 per cent for the period, against 83 per cent last year, while production increased to 1.44m tonnes of steel against 1.39m in 1985. Shipments, however, fell to 1.08m tonnes from 1.14m tonnes.

In the oilfield equipment segment, hard hit by the plunge in oil prices, the group suffered operating losses of $9.9m on sales of $59.4m. A year ago it made a slight operating profit of $1.1m on sales of $137m in this business.

French to draw up sell-off shortlist

By Paul Betts in Paris

THE FRENCH Government will launch its ambitious privatisation programme by drawing up in the coming months a limited list of state companies to be denationalised.

The conservative administration of Mr Jacques Chirac, the neo-Gaullist prime minister, is expected to select two to three state sector companies to kick off the denationalisation process. The other state sector companies will continue to be managed as nationalised groups until their privatisation, according to senior French Finance and Economy Ministry officials.

The first companies to be privatised are likely to be the Saint-Gobain glass and pipes group in the industrial sector and Paribas, the leading French merchant bankers, in the banking sector, according to French industry and banking sources.

The third group is likely to be drawn from one of the three large state insurance companies due to be privatised, including UAP, AGF or GAN.

The French Government has already indicated that the privatisation process will be directed by the Government and not by individual groups. Mr Edouard Balladur, the Finance and Economy Minister, is expected to make this clear at a meeting next Friday with the chairmen of the country's 24 largest industrial, banking and insurance groups named by the Government last week.

Mr Balladur suggested that after the list of the first companies to be privatised was established, the chairmen of these companies would be consulted on the privatisation of their groups.

Chase and Merrill Lynch sell peripheral units after big gains

BY WILLIAM HALL IN NEW YORK

CHASE MANHATTAN Bank and Merrill Lynch, two leading New York financial institutions, yesterday reported substantial gains on the sale of peripheral activities which do not fit in with their long-term strategies.

Merrill Lynch, the leading US brokerage firm, said it had entered into a letter of intent to sell a portion of its leasing operations to Inspiration Resources, a diversified natural resources group which was formed from Hudson Bay Mining & Smelting. If the sale goes ahead, Merrill Lynch said that it would book an after tax gain of at least $70m.

Chase said that it was selling most of the business of its Computer Power subsidiary in a management buy-out organised by Merrill Lynch Capital Partners.

Chase will receive $120m in cash plus securities and warrants in the new company resulting in an after-tax gain of $60m. Computer Power is the largest third party provider of data processing services to the mortgage banking industry.

Mr Robert Douglass, Chase's vice chairman, said that Computer Power had made a valuable contribution to the bank over the years, but did not play an integral role in Chase's long-range strategies.

Inspiration said yesterday that it was buying Merrill Lynch Leasing (MLL) for an undisclosed sum. The unit holds a high-quality portfolio of leveraged and other leases, covering a wide range of industrial and commercial customers. Inspiration said that the acquisition would enable it to increase its cash flow and earnings.

The stock of MLL would be held in a non-consolidated leasing subsidiary and the transaction is scheduled to close during the fourth quarter of 1986 and is subject to negotiation of definitive documentation.

Merrill Lynch's shares slipped by $¼ to $43½ in early trading yesterday, while Chase shares fell by a similar amount to $38¼. Inspiration Resources' shares were unchanged at $4¼.

Swissair earnings plunge in first half

By John Wicks in Zurich

SWISSAIR, the Swiss national airline, incurred a gross earnings decline of more than half in the first six months of this year to SFr 83m ($51.8m) compared with SFr 174m in the same period last year.

However, Swissair said the January-June gross profits figure was "exceptionally favourable" last year, adding that the latest earnings were on a par with first-half results of "other years of this decade."

Total revenues fell by SFr 181m in comparison with the first six months of 1985, dropping to just less than SFr 1.97bn. At the same time, total costs depreciation were down SFr 90m to almost SFr 1.89bn. Ordinary depreciation charges fell by SFr 3m to SFr 133m.

Although there was a rise in overall scheduled capacity of 6.4 per cent and a 1.4 per cent increase in traffic volume, the total number of passengers fell slightly from 3.57m to 3.56m.

Swissair attributed this "sluggish performance" primarily to the decline in the US dollar, which added some 30 per cent to the cost of travel in Europe by Americans.

Business was also adversely affected by the fear of terrorism and the after-effects of Chernobyl as well as constraints on Middle Eastern traffic imposed by the low oil price. In general, however, business traffic was said to have remained encouraging.

A number of measures have been undertaken by the airline, particularly in the tourist sector, to stimulate demand. Swissair said there were indications that business would pick up in the current second half and hoped "to close 1986 on a satisfactory note."

Global Marine reports $122m loss as drilling activity falls

BY OUR NEW YORK STAFF

GLOBAL MARINE, the big US offshore drilling contractor which owes more than $1bn and is fighting for survival, yesterday reported a second-quarter loss of $122.6m and said its creditors had taken possession of one of its big semi-submersible drilling rigs, which resulted in a $75m write-down.

The company, which filed for protection under Chapter 11 of the US bankruptcy code in late January, said it had taken additional measures to conserve cash as the offshore drilling market had continued to worsen. These included reducing rig operating expenses, slashing capital spending, cutting staff at corporate headquarters and all subsidiaries and consolidating office space.

Mr C. Russell Luigs, Global's chief executive, said if market conditions persisted, the company would consider further measures including the release of additional rigs.

Global Marine's revenues slumped by 45 per cent to $51.7m in the latest three months. For the six months, revenues fell by more than a third to $134.9m. The company lost $148.8m in the first half of the current year compared with a loss of $72.8m in the same period last year.

The $75m write-down in the second quarter related to the company's decision to release the semi-submersible rig Glomar Arctic 11 to certain creditors. At the time of the last annual report the rig was on contract to Mobil in the North Sea. Global Marine has also written down its oil and gas properties by $17m. Global's shares were unchanged at $1 in early trading yesterday.

The Houston-based company has one of the most modern drilling rig fleets in the offshore oil industry. The company expanded rapidly in the early 1980s as oil prices peaked. The size of its fleet more than trebled to over 30 rigs. However, as drilling activity has fallen, the company has come under increasing pressure from the bankers which financed its rapid expansion.

Global said yesterday its cash and short-term investments totalled $102m at end-June, which was $12m higher than the figures at the end of 1985 and $10m up on the end of the second quarter.

Cooper Industries, the diversified US maker of equipment including compressors for the oil and gas industry, marginally improved net profits in the second quarter to $36.7m, or 75 cents a share, from $35.3m, or 74 cents. This took the six-month total to $62.5m against $52.9m previously, or from $1.06 to $1.29 per share.

Revenues for the six months reached $1.78bn, up from $1.26bn, with a $127.1m rise in the latest quarter to $900.6m.

The 1985 figures included only two months of operations at McGraw-Edison, which was acquired in May last year.

For the whole of 1985 Cooper lifted profits to $135m, on sales of $3.06bn, from $107m, on sales of $2.03bn.

● Nova Corporation, a major western Canada energy group, found that better petrochemical results partly offset declining oil and gas prices in the first half. Net profit was C$63.3m or 16 cents a share, against C$62.3m or 15 cents on revenues of C$1.43bn against C$1.68bn.

● CL, the Canadian arm of ICI of Britain, felt strong downward pressure on fertilisers and farm chemicals business in the first half and this was only partially offset by strength in chlorine and other pulp and paper industry products and polymers. Half-year net profit was C$16m or 99 cents a share against C$25m or C$1.60 a year earlier on shares of C$711m against C$658m.

Nixdorf expects strong profits

BY OUR FINANCIAL STAFF

NIXDORF, the West German computer group which came to the stock market two years ago, expects to turn in strong profits for 1986 following buoyant sales and orders for the first six months.

Turnover for the half year rose by 18 per cent to DM 1.8bn ($857m), while order intake at the end of June stood at DM 4.5bn – a gain of 15 per cent.

The present level of orders would enable Nixdorf to sustain its performance over the rest of the year, Mr Klaus Luft, chief executive, said in London.

The group was aiming for a full year rate of growth that would outpace the world computer industry average and allow Nixdorf to "clearly surpass" last year's net profit of DM 172m.

Mr Luft said his company, which is listed in Switzerland as well as West Germany, would at some future date seek admission to the London stock market. No capital raising moves were seen for 1986, he added.

The Nixdorf management confirmed that the group had recently won a $100m order to supply point-of-sale terminal computers to the US retailing chain, Montgomery Ward, the sixth biggest American stores group, owned by Mobil Oil.

Nixdorf's sales for the first half of 1986 had been checked by the strength of the D-Mark, the company said. Turnover in Germany rose by 29 per cent to DM 974m, while foreign sales could manage only an 8 per cent gain to DM 870m.

But for adverse currency movements the rise in international turnover would have been closer to 19 per cent, Mr Luft said.

For 1985 group sales totalled DM 3.93bn and net profits at DM 172m were 43 per cent up on 1984. As a result, Nixdorf increased its dividend by DM 1 a share to DM 10.

Mr Luft underlined the group's plans for continued expansion. Research spending was rising fast, and Nixdorf was spending heavily on additional physical assets. The group payroll was also growing.

Over the first half of 1986, research and development spending rose by 9 per cent to DM 195m to a level where it accounted for around 10 per cent of total sales.

Mr Luft said Nixdorf aimed to extend its lead as a "solution orientated" information system supplier with the ultimate objective of becoming number one in Europe.

To attain this "ambitious goal", expenditure in new software and communications technologies would have to be raised further and substantially so, Mr Luft said.

In the meantime, staff numbers were rising with an increase in payroll of 1,270 to 24,560 over the first half of this year. Plant extensions had been made in Germany, Ireland and Singapore.

Mr Luft explained that a computer manufacturing unit would be opened in Berlin before the end of November. There were plans for new buildings in Paris and London.

George Allen to merge with Hyman publishers

BY MARTIN DICKSON IN LONDON

GEORGE ALLEN & UNWIN, the UK book publisher with titles including J.R.R. Tolkien's best seller Lord of the Rings, is to merge with Bell & Hyman, publisher of Samuel Pepys' diaries, to create one of Britain's largest independent publishing houses.

The merger of the two privately-owned houses is the brainchild of Mr Rayner Unwin, 60-year-old chairman of Allen & Unwin, who will become non-executive chairman of the combined group, handing over control to Mr Robert Hyman, head of Bell & Hyman and managing director of the new company.

Mr Unwin said yesterday that he had no desire to follow the example of his father, Sir Stanley Unwin, the founder of the firm, who remained in charge until his death at the age of 83.

Mr Hyman, his 54-year-old chosen successor, formed Bell & Hyman in 1977 to buy George Bell & Sons, which had been one of the great names of 19th century British publishing but had diminished in size.

It has enjoyed a revival under Mr Hyman and last year made pre-tax profits of £315,000 on turnover of just over £3m.

Allen & Unwin had a turnover last year of £9m but Mr Unwin said yesterday that he could not single out a figure for publishing profits or losses from the group's other activities.

The merger does not include Unwin's investment, property and leasing operations, which will remain as family interests.

Most shares in the new company – to be named Unwin Hyman – will be held by the Unwin and Hyman families. However, Hambro Group Investments, a subsidiary of Hambros which helped fund Bell & Hyman in 1977, will subscribe £875,000 for 10 per cent of the equity, which will bring its holding to 35 per cent of the new company.

Mr Hyman said that the merger "brings together two complementary businesses and positions the new company as a real force in the international market."

About half the new group's sales will come from general trade publishing, including many of the works of Tolkien, Pepys' diaries, adult non-fiction (with particular strengths in crafts, design, sports and gardening) and Unwin's paperback list.

The other 50 per cent will comprise educational publishing and incorporate Bell & Hyman's school textbooks and English language teaching books, together with Allen & Unwin's academic division.

British publishing has seen a wave of mergers over the past few years as houses have grappled with the demands of a more international market and much more agressive marketing techniques.

Mr Hyman acknowledged that yesterday's deal was, in a small way, part of this process.

Compaq gains despite competition

By Louise Kehoe in San Francisco

COMPAQ, the leading US maker of IBM-compatible personal computers, reported a 70 per cent earnings gain for the second quarter despite increasing competition from low-cost clones.

Net income rose to $9.6m, or 31 cents per share, up from $5.7m, or 19 cents per share. Sales were $147.1m, a 24 per cent increase over sales of $118.9m for the second quarter of 1985.

Net income for the first six months of 1986 was $18m, or 57 cents per share, compared with $10.3m, or 36 cents per share, in the first six months of 1985. Sales for the six-month period were $291.1m, up from $215.9m last year.

Compaq attributed its continuing success to growth in demand for high-performance personal computers from experienced computer users. This sector of the US personal computer market has been less severely affected by competition from foreign-made clones.

Industry analysts said, however, that competition was increasing at the top end of the personal computer market.

Maxicare pays $400m for HealthAmerica

By Our Financial Staff

MAXICARE HEALTH Plans, a Los Angeles-based health maintenance company, has paid $400m for full control of HealthAmerica, a financially weaker competitor in the same industry which is based in Nashville. If the merger goes through it would create one of the largest companies in the health maintenance sector, with revenues of over $1bn a year and a membership in excess of 1m.

Health maintenance, which has been growing in the US as health costs have soared in recent years, offers members an all-in service of health care at a price fixed in advance.

Maxicare has successfully moved into the New York area, and has succeeded in signing up several leading hospitals for its health maintenance plans. The company has been growing rapidly, adding some 200,000 subscribers since last September to reach a total of about 850,000. It earned $20m on revenues of $512m in 1985.

HealthAmerica yesterday reported a loss of $962,000 on revenues of $157.3m for the second quarter, compared to a $3.48m profit for the same period last year. The company blamed its poor performance on an unspecified write-down on partnership interests. HealthAmerica has had difficulty controlling cost growth despite rapidly growing business.

West German banks sell Nova-Park hotels

BY OUR ZURICH CORRESPONDENT

A GERMAN banking consortium headed by Westdeutche Landesbank has disposed of the Nova-Park hotel properties in New York and Paris for a total of some $69m.

The consortium took over the former Gotham Hotel in Manhattan and the Nova-Park Elysées in Paris after the bankruptcy of Nova-Park the former international luxury hotel group set up by Mr Rene Hatt, the Zurich businessman.

The Gotham, the rebuilding of which was never finished despite a $100m investment has been sold for $35m to Imperials hotels, the American property and hotel group.

Imperial Hotels, a consortium the members of which include the Texas-based Pratt Hotel Corporation and the property firm Southmark, is to spend a further $40m on completing the luxury Gotham on Fifth Avenue.

The Nova-Park Elysées, which had become famous as one of the world's most expensive hotels, has gone for a price of FFr 235m ($34m) to Société Lyonnaise d'Etudes d'Investissements, a subsidiary of Credit Lyonnaise, the Parisian bank. The hotel was sold via an affiliate of DAL, the West German leasing group.

Lufthansa and Iberia open charter talks

By David Brown in Frankfurt

LUFTHANSA, West Gemany's national airline, and Iberia, the Spanish state-owned carrier, have begun negotiations aimed at forming a new charter airline.

The proposed company would be based in Spain and would initially fly between four and 11 aircraft on European routes. A spokesman for the two airlines said it was too early to say how many routes would be covered or passengers carried.

Lufthansa's chief interest in the venture is to gain access to more Spanish routes.

Some of the new airline's aircraft might be purchased from the current fleet of Condor, Lufthansa's charter carrier.

Under Spanish law, Lufthansa would be limited to a stake of no more than 25 per cent in the new company.

INTERNATIONAL COMPANIES AND FINANCE

N. AMERICAN RESULTS

ANCHOR HOCKING
Glass tableware

Second quarter	1986 $	1985 $
Revenue	192.3m	176.5m
Net profits	2.58m	2.08m
Net per share	0.24	0.2
Six months		
Revenue	388.6m	355m
Net profits	2.57m	4.68m
Net per share	0.29	0.45

JWT GROUP
Advertising

Second quarter	1986 $	1985 $
Revenue	160.6m	141.8m
Net profits	5.8m	5.6m
Net per share	0.62	0.62
Six months		
Revenue	308.4m	267.9m
Net profits	8.7m	8m
Net per share	0.94	0.88

LAFARGE

Second quarter	1986 C$	1985 C$
Revenue	252.1m	255.2m
Net profits	12.3m	11.2m
Net per share	0.39	0.36
Six months		
Revenue	408.9m	396.4m
Net profits	5.19m†	14.9m†
Net per share	0.171	0.441

† Loss

OUTBOARD MARINE CORP

Third quarter	1986 $	1985 $
Revenue	256.9m	260.1m
Net profits	16.87m	16.2m
Net per share	0.98	0.97

SINGER
Household products

Second quarter	1986 $	1985 $
Revenue	417.5m	366.3m
Op. net profits	3.4m†	8.7m
Op. net per share	0.21†	0.42
Six months		
Revenue	798	717.3m
Op. net profits	11.1m	21.5m
Op. net per share	0.44	1.07

†Loss

TELERATE
Business information systems

Second quarter	1986 $	1985 $
Revenue	54.3m	39.1m
Net profits	10.1m	8.2m
Net per share	0.19	0.18
Six months		
Revenue	149.4m	106.7m
Net profits	27.7m	25.1m
Net per share	0.62	0.57

TRANSCO ENERGY
Energy

Second quarter	1986 $	1985 $
Revenue	841.8m	828.9m
Net profits	65.8m†	25.7m
Net per share	2.62†	1.02
Six months		
Revenue	1.95bn	1.8bn
Net profits	45.6m†	57.2m
Net per share	1.82†	2.24

† Loss

UNION PACIFIC
Energy, natural resources

Second quarter	1986 $	1985 $
Revenue	1.6bn	1.96bn
Net profits	110m	132m
Net per share	0.95	1.1
Six months		
Revenue	3.43bn	3.82bn
Net profits	213m	246m
Net per share	1.83	2.04

USF&G
Property and casualty insurance

Second quarter	1986 $	1985 $
Revenue	1.08bn	881.6m
Net profits	82.7m	46.9m†
Net per share	0.82	0.81†
Six months		
Revenue	2.05bn	1.61bn
Net profits	163.3m	104.2m†
Net per share	1.60	1.851†

† Loss

WHEELING-PITTSBURGH
Steel

Second quarter	1986 $	1985 $
Revenue	345.3m	245.6m
Net profits	60.3m†	50.1m†
Net per share	12.21†	10.12†
Six months		
Revenue	465m	488.6m
Net profits	58.3m†	75.9m†
Net per share	11.85†	15.64†

†Loss

Bid for Hiram Walker oil unit

BY ROBERT GIBBENS IN MONTREAL

INTERPROVINCIAL Pipeline (IPL) an energy group which operates the trans-Canada oil pipeline from Alberta to Montreal, is making a C$1.1bn (US$797m) offer for all the shares of the Home Oil Company, a fully owned subsidiary of Hiram Walker Resources.

Hiram Walker is the energy and distilling group acquired earlier this year by the Reichmann Brothers of Toronto through their Gulf Canada subsidiary. During the C$4bn takeover battle, the Hiram Walker management agreed to sell the liquor business to Allied Lyons for C$2.6bn – a move still being contested by the Reichmanns in the Canadian courts.

The IPL offer for Home Oil, a western oil and gas company with sizeable conventional oil reserves, did not surprise analysts. Both Hiram Walker and IPL have had cross share holdings since 1983. However, analysts regard the price as high since it values Home's reserves at about C$5 a barrel.

IPL has been looking for an acquisition to give it a large production base for several years and buying Home Oil will provide this.

Hiram Walker took about 34 per cent ownership of IPL and IPL about 16 per cent of Hiram Walker in 1983, and Imperial Oil became the second largest stockholder. This was done to give IPL access to certain energy industry incentives.

IPL will pay about half the purchase price for Home Oil through redemption of its 13.6m class D preference shareholding in Hiram Walker, and the balance with a variable rate debenture and cash.

The sale excludes Hiram Walker's remaining US oil and gas assets but includes a 26 per cent interest in a small Canadian oil and gas firm.

● Pacific Western Airlines of Calgary, Canada's third largest airline, has completed a C$255m financing for 16 of its Boeing 737-200 aircraft with a banking syndicate managed by Midland Bank of the UK. About C$181m will be repaid from proceeds of a pre-arranged sale of aircraft to Guinness Peat Aviation in Shannon, southern Ireland.

Arco sees profits fall 63% to $150m

By William Hall in New York

ARCO, otherwise known as Atlantic Richfield, reported a 63 per cent drop in second-quarter net income to $150m. The company also announced a regular quarterly dividend of $1 a share, although it was not covered by second-quarter earnings of 83 cents a share.

Mr Lodwrick Cook, Arco's chief executive, says that "the continued deterioration of crude oil prices was the principal factor in the decline in income from continuing operations." During the early days of the third quarter oil prices had slipped even lower.

"There is no question that earnings will be depressed further if prices remain at current levels. However, we do not believe that current pricing will likely extend very far into 1987 and we continue to believe that there is some chance that we will have some price improvement in late 1986." Mr Cook said.

For the first six months of 1986 Arco earned $449m, or $2.47 a share, compared with a net loss of $747m, or $3.33 a share, in the same period of 1985. The second quarter of 1985 included a $1.5bn charge against earnings to cover a restructuring of the group's business.

Arco's average price for domestic crude oil fell to $7.02 a barrel in the second quarter of 1986

As a result, the group's worldwide oil and gas operations reported a $1m loss in the second quarter, compared with after-tax earnings of $303m in the same period last year.

However, falling oil prices benefited the group's downstream operations.

DEC ends year with jump in earnings

By Our New York Staff

DIGITAL EQUIPMENT (DEC), second-largest computer manufacturer in the US, achieved a 38 per cent increase in earnings in its fiscal year to June, underscoring the turnround in its fortunes over the last 12 months.

In the final quarter of the year, DEC's recovery was even more marked, as it generated a 138 per cent increase in earnings to $238.6m, or $1.81 a share, against $100.4m, or 83 cents a share, in 1985. Revenues climbed to $2.18bn from $1.85bn.

For the full year, net income rose to $617m, or $4.81 a share, against $447m, or $3.71, a year ago. Revenues rose to $7.59bn from $6.69bn.

Mr Kenneth Olsen, president, said the group was now seeing the pay-off from an enormous investment

Kodak slides into deficit following $168m charge

BY OUR NEW YORK STAFF

EASTMAN KODAK, the world's largest maker of photographic products, reported a second-quarter loss of $12.2m after taking a $167.8m after-tax charge to cover the cost of job cuts and stock write-downs.

The loss, equivalent to 6 cents a share, compares with first-quarter earnings of $48.6m, or 22 cents a share, and earnings of $164.3m, or 72 cents a share, in the second quarter of 1985.

For the first half of 1986 Eastman Kodak earned $36.4m, or 16 cents a share, compared with $279.5m, or $1.22 a share, in the first half of 1985.

Despite the decline in earnings, Mr Colby Chandler, the group's chief executive, was optimistic about the outlook. "Higher sales and greater unit volume were recorded throughout the first half of 1986 and operating earnings, excluding special charges, increased during the second quarter," he said.

"These improvements renew our confidence that such earnings for the full year will show solid gains compared with 1985. We continue to look forward to solid performance improvements

In the imaging segment, Eastman Kodak's sales rose 12 per cent to $2.2bn in the second quarter. US sales rose by 3 per cent to $1.19bn, while overseas sales rose by 26 per cent to $803.5m.

The company said that the photographic products group showed "solid second-quarter gains" led by Kodacolor film in the 35mm format and photographic papers. "Strong sales gains in the commercial and information systems group were paced by increases in copier-duplicator revenues and business imaging products."

Bridgestone earnings decline at six months

By Yoko Shibata in Tokyo

BRIDGESTONE, Japan's largest tyre maker with a domestic market share of 50 per cent, saw pre-tax profits decline by 15.8 per cent to Y18.57bn ($119.2m) in the half-year to June.

Net profits fell 24.4 per cent to Y7.2bn, on turnover of Y271.39bn, down 6.1 per cent. Earnings per share dropped back to Y12.51 against Y17.38.

The poor performance by the parent company was attributed to the yen's appreciation, which slashed revenues from its exports to the US, Canada and Australia. In addition, the collapse of the crude oil price pared purchasing capability in the Middle Eastern countries.

Domestic sales of tyres, chemical products and sporting goods rose 2 per cent to account for 74 per cent of the total turnover—exports fell 24 per cent.

In the six months, the yen averaged Y175 to the dollar. The company said that, given a level of around Y160 for the rest of the current year, its full-year pre-tax profits are expected to fall by 17 per cent to Y33bn.

Full-year net profits are projected at Y12bn, down 30 per cent, on turnover of Y555bn, a drop of 7 per cent from the previous year. Bridgestone plans to maintain the per share annual dividend of Y10.

Carnegie to resign as CRA chairman and chief executive

BY ROBERT KENNEDY IN SYDNEY

SIR RODERICK CARNEGIE, chairman and chief executive of CRA, Rio Tinto-Zinc's Australian subsidiary, announced yesterday that he would be resigning from both positions.

Sir Roderick, aged 53, said he would give up both jobs from January 1 next year and also indicated that there could be some ownership reshuffle at the resources group. Sir Roderick will remain a director of CRA and RTZ.

He said he had decided to resign because he felt 10 years was a long enough period in the job. That statement appeared to conflict with a sentiment expressed by Sir Roderick two years ago when he said he envisaged a further 10 years at the head of CRA.

His decision follows speculation that he had been keen for CRA to step into the takeover struggle for Broken Hill Proprietary (BHP) against Mr Robert Holmes à Court, but had been overruled by RTZ.

In his official statement about the resignation, Sir Roderick said it would be "appropriate for CRA to have two new people in the roles of chairman and chief executive because of the company's pending naturalisation."

RTZ owns 52.3 per cent of its Australian arm but has agreed sometime in the future to reduce its holding below 50 per cent.

The new chief executive of CRA will be Mr John Ralph, currently managing director of CRA and chairman of Comalco, its aluminium arm. Mr Ralph is also 53.

Sir Roderick Carnegie: "10 years long enough in the job"

Sir Russel Madigan, CRA deputy chairman, is expected to become non-executive chairman of the company. CRA said yesterday that an announcement about an appointment to this post would be made in due course.

CSR reduces share placement

BY OUR SYDNEY CORRESPONDENT

CSR, the Australian resources and sugar company, yesterday conceded that the A$460m (US$279.9m) it had expected to raise from a defensive share placement and rights issue announced six weeks ago would now be reduced by about A$160m as the result of the withdrawal from the scheme by one of the country's leading institutions.

The Superannuation Fund Investment Trust (SFIT) and the Australia Mutual Provident (AMP) Society had agreed to take 60m of the 80m CSR shares that would have put 15 per cent of the company in apparently friendly hands.

However, following weakness in CSR's share price recently, SFIT announced last week that it had changed its mind about taking the 30m shares allocated to it under the placement. That meant that CSR would have to find another taker for the shares or cut the size of the fund raising exercise.

It announced yesterday that it had decided to reduce the size of the placement from 80m shares to 50m as a result of SFIT's decision.

CSR added that the AMP Society was adhering to its decision to take 30m shares and had stressed its confidence in the group by agreeing to underwrite the rest of the placement.

Last night at least 15m of the remaining 20m shares in the placement had been bedded down with various institutions and it seemed likely that the balance would be taken.

The CSR placement is to be followed by a one-for-10 rights issue, which was made more attractive recently when the company decided to alter the terms in order to take account of the recent share price downturn.

At the time the placement was announced in June, CSR was trading at around A$3.50 a share, or 50 cents a unit above the placement price. It closed in Sydney yesterday at A$2.62, up 4 cents on the day.

Montreal Trustco sharply ahead at midway

BY ROBERT GIBBENS IN MONTREAL

MONTREAL TRUSTCO, one of the three financial services subsidiaries of Canada's Power Financial Corporation, has reported gains of more than 40 per cent in net income for its second quarter and first half.

Intermediary, fiduciary and real estate business were all strong, while total assets were up 30 per cent year-to-year, to C$3.6bn (US$2.59bn).

Second-quarter net profits were C$6.8m or 25 cents a share, against C$4.7m or 20 cents in the year-earlier period. This came on gross revenues of C$127m against C$104m.

First-half earnings reached C$12.5m or 45 cents a share against C$8.8m or 36 cents. Revenues for the six months were C$238m against C$198m.

● STELCO, Canada's largest integrated steel company, held steady in the first half with net profits of C$40.8m or 45 cents a share against C$41.1m, also 45 cents, on unchanged sales of C$1.26bn.

● Canada Packers, the country's largest meat packaging group, also produce steady results for the 13 weeks ended June 28. Net profits were C$8.4m or 23 cents a share against C$7.9m or 22 cents a year earlier, on sales of C$767m against C$781m.

Oki Electric slips into red

BY OUR TOKYO STAFF

OKI ELECTRIC, the long-established Japanese maker of communications equipment, slipped into a consolidated net loss of Y97m ($622,800) in the year to March, a reversal from net profits of Y9.1bn in the preceding year.

Consolidated pre-tax profits dived 97.1 per cent to Y0.55bn, on turnover of Y392.61bn, down 6 per cent from

The company reported consolidated net loss per share of Y2.10, compared with earnings of Y19.93.

For the current year to March 1987, Oki projects a recovery to consolidated pre-tax profits of Y4bn, with net profits at Y2bn, on sales of Y420bn.

Jakarta denial by Bank of America

BANK OF AMERICA, responding to reports alleging financial malpractice at its Jakarta branch, said Indonesian police were investigating an alleged fraud scheme but denied any wrongdoing. Reuter reports from Jakarta.

Mr William Hyde, a vice-president, said Bank of America had given police full access to its records. Allegations of fraud had not been substantiated and so far the police had not charged anyone.

The bank has also filed lawsuits against Sumber Tjahaya, an Indonesian trading company, seeking to recover 2.13bn rupiah (S$2.04m) from an outstanding loan.

The suits are being heard by the Tangerang (West Jakarta) and Central Jakarta district courts. Sumber, in its court defence, said it had repaid the money and alleged that bank officials had embezzled it.

Mr Hyde confirmed that police had begun an investigation into an alleged fraud scheme involving certain Bank of America employees said to have misappropriated 60bn rupiah.

Local press reports have alleged that the amount was embezzled over several years from eight companies.

"Bank of America denies that such a monumental fraud occurred against its customers," Mr Hyde said in a letter to the Jakarta Post.

The Bank of America unit made losses of 3.5bn rupiah in 1985 after 7.3bn rupiah of profits in 1984.

● Bank of America is separately holding talks on the possible sale of its Colombo-based Sri Lanka branch. It did not name the possible buyer or estimate the expected value of a sale.

Philadelphia in bid for Far East option trade

By Alexander Nicoll

THE Philadelphia Stock Exchange, which operates one of the leading markets in traded currency options, is considering a substantial extension of its trading hours in order to capture part of what it sees as a fast-growing market in the Far East.

The idea, which is still very much in preliminary stages and has yet to be put to the exchange's membership, would involve reopening the exchange floor during the evening in Philadelphia—though dealers would not have the same market-making responsibilities which they undertake during the normal Philadelphia trading day.

The suggestion has arisen out of Philadelphia's long drawn-out negotiations with the London Stock Exchange on a link under which the two exchanges' currency options contracts would become interchangeable, so that a contract bought during the morning in London could be sold later in the day in Philadelphia.

The plans for a link first ran into thorny problems both with the respective regulatory authorities and, even more difficult, over clearing arrangements. Though neither is fully resolved, both exchanges now feel that only minor details need to be worked out.

Another problem then arose over trading hours. It had been assumed that there would be a period during the London afternoon when trading hours would overlap, and that this would be the most active period of the day, offering considerable arbitrage and other trading opportunities.

Philadelphia, however, has proposed that there should be no overlap. This is because of concern among the US exchange's members about potential loss of volume to London, in particular of large cross-trades which are sometimes consummated on the Philadelphia floor.

Cross-trades — where the same dealer acts for its clients on both sides of a transaction —are a sensitive issue on US futures and options exchanges, since dealers not party to them feel they are not being fairly shown potentially lucrative trades. The fiercest opponents often try to break them up by submitting more competitive bids or offers when a cross order hits the floor.

Philadelphia's concern was that the link with London might enable cross-trades simply to be done in the UK, thereby circumventing its floor.

The issue has yet to be resolved, but the exchanges have provisionally agreed to devise rules preventing a cross order entered on one exchange from being dealt on the other. The extension of Philadelphia hours into the Asian trading day would also be a gesture towards the US exchange's members who were worried about losing liquidity to London.

The problems demonstrate just how difficult it is to form a link between two exchanges. The relative ease with which the Chicago Mercantile Exchange formed a futures link with the Singapore International Monetary Exchange (Simex) was partly due to Singapore being able to create, from scratch, regulatory and trading practices modelled on Chicago's.

In London, doubts have also been raised by the relatively small volume in currency options on the Stock Exchange, which is competing with only marginally more successful contracts on the London International Financial Futures Exchange (Liffe).

The Philadelphia link could be given added impetus, however, by plans just announced by the Chicago Board Options Exchange (CBOE) to trade options identical to Philadelphia's. CBOE and Philadelphia options are both cleared by the Options Clearing Corporation, but the London/Philadelphia link is to be exclusive.

Northwest and Republic airlines dive

By our New York Staff

NORTHWEST Airlines and Republic Airlines, the two Minneapolis-based carriers which are merging, each suffered a sharp setback in second-quarter earnings.

NWA, parent of Northwest, recorded net earnings of $23.9m, or 99 cents a share, against $35.3m, or $1.52, in the same period of last year, while revenues increased marginally to $702m from $698m.

Half year earnings were $7.5m, or 34 cents, against $36m, or $1.60.

Republic's second-quarter net profit was $35m, or 72 cents a share. This compared with $120m, or $3.26 which included extraordinary items of $80m. Six-month profits totalled $29m, or 64 cents a share, against $125m, or $3.38m.

Denmark taps overloaded market with Y10bn bond

BY CLARE PEARSON

DENMARK yesterday launched Y10bn of debt on to the Eurobond market, which otherwise saw little new issue activity and nervous trading.

The Euroyen bond market has been overloaded with new issues recently, and dealers were initially unenthusiastic about Denmark's seven-year deal, especially as that country has become a frequent visitor to the Euromarket.

Nevertheless, Denmark's 5⅞ per cent coupon and 101¼ per cent issue price struck the market as fair. The deal traded at discounts to issue price around the level of the total 1⅞ per cent fees. IBJ International led the deal.

Prices of seasoned dollar bonds were marked as much as a ½-point lower in early trading following Monday's sharp depreciation in the dollar on the foreign exchanges. While prices steadied during the afternoon, no new issue manager was brave enough to launch a new deal.

Two recent equity warrants bonds for Japanese borrowers were priced. Nomura set the coupon on a $50m bond for TEC Electronics, the consumer electronics company, at 2¾ per cent as indicated. The issue price was, however, raised from par to 100½ per cent. Daiwa, when pricing a $20m deal for Nikken Chemicals, also set its coupon at 2⅞ per cent, the indicated level, and left the issue price at par.

Both deals saw their foreign exchange rate fixed at Y156.50 to the dollar. The exercise price on TEC Electronic's warrants was set at Y1,743, and on Nikken Chemicals' at Y1,569. Both represented 2.5 per cent premiums over their closing share prices in Tokyo.

The D-Mark market traded quietly in low turnover, as dealers said there continued to be little demand from abroad. Prices were marked down in early trading but then recovered to end the day basically unchanged.

In the Swiss franc market, however, prices continued their modest upward trend of recent days in slightly higher turnover. Dealers say that some of the recent issues for high-quality borrowers, such as the Canadian province of Manitoba, are attracting strong demand. Manitoba's SFr 150m 12-year issue, which has been trading since July 16, closed at 102 yesterday, compared with a par issue price.

An issue for another Canadian borrower, the Montreal Urban Community, traded for the first time yesterday. The SFr 40m 10-year 6⅞ per cent bond was the first to have its redemption amount linked to the Swiss franc/Canadian dollar exchange rate. The issue closed around 100¾, against a par issue price.

● Salomon Brothers in New York yesterday announced a $100m issue of zero-coupon notes with returns linked to the Standard & Poor's (S&P) 500 Index. The issue is expected to be sold on a global basis.

The notes offer the investor the right to receive an additional payment in excess of the $1,000 value of the notes at redemption if the index then exceeds the level at the time of pricing. Pricing should take place this week.

First French floater launched

BY OUR EUROMARKETS STAFF

THE FIRST French franc floating rate Eurobond, with its coupon linked to interbank rates, was launched yesterday by Caisse Centrale de Cooperation Economique (CCCE), the French state development finance entity. This followed a meeting between French bankers and Treasury officials on Monday night to agree a schedule of EuroFrench franc borrowings in August.

French bankers see CCCE's FFr 300m seven-year floating rate note (FRN) as an important test of confidence in the liquidity of the EuroFrench franc sector, which re-opened only 14 months ago.

The FRN's yield compares well with alternative investments, but as it is the first of its kind investors are likely to be worried about how easily they will be able to sell their bonds, should they wish to do so.

The FRN pays ⅛ per cent over three-month London interbank offered rate (Libor), unless that rate equals or surpasses the comparable rate in Paris plus ⅛ point, in which case the bond will pay the French interbank rate plus ⅛ point.

The FRN is accompanied by 60,000 warrants into a seven-year 7⅞ per cent fixed rate deal, exercisable by cash or exchange of notes during the first year. Yesterday these warrants were trading at FFr 130 each, while they had been issued at FFr 110.

The FRN gives a significant pick-up over returns on dollar and Ecu FRNs. This should attract non-French investors, especially those seeking to diversify out of dollar securities, in view of the currency's weakness.

Yesterday the FRN seemed to evoke good demand, trading within total fees at a discount to par issue price of 10 basis points on the bid side.

Two other fixed rate deals were pencilled in for August launch on Monday night. The first should be led by Banque Nationale de Paris for Statoil, the Norwegian state oil concern. The second should be for semi-state-owned Copenhagen Telephone, led by Credit Commercial de France. These are expected to be for FFr 700m-FFr 800m and FFr 500m-FFr 600m respectively.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

Closing prices on July 29

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco Co. 9⅞ 16	200	101¾	102¼	0	−1⅛	9.54
Atlan. Richfield 10⅞ 00	250	107⅞	108⅜	0	−0⅝	9.19
Australia Com. 11 95	200	114⅛	114½	−0⅛	−0⅞	8.62
Australia Com. 11⅛ 00	100	†113⅝	114¼	−0⅛	−1⅛	9.41
BP Capital 9⅛ 94	100	103	103½	+0⅛	0	8.51
BP Capital 11⅛ 92	150	108¾	109¼	0	−0½	8.96
Campbell Soup 10½ 95	100	118⅝	118⅞	−0⅛	−1	8.75
Canada 9 96	1000	106¼	106⅝	−0⅛	−1	7.99
Canada 11½ 90	500	111⅞	112⅜	−0⅛	−1	7.54
Canadian Pac. 10⅜ 93	100	107⅞	108⅜	−0⅛	−1	9.10
CEPME 10⅛ 91	100	107⅜	107⅞	−0⅛	−0⅛	8.26
Citicorp 10 88	200	104¼	104½	−0⅛	−0⅛	7.70
Citicorp 10⅜ 95	200	105⅞	106¼	0	−0⅛	9.60
Credit Lyonnais 9 91	200	103⅝	104⅛	0	−0⅛	7.94
Credit National 9⅛ 93	150	104¼	104⅝	−0⅛	−0⅛	8.19
Denmark Kingdom 7¾ 93	250	97⅞	98⅛	−0⅛	−1⅛	8.14
Denmark Kingdom 8¼ 91	300	101⅛	101½	+0⅛	+0⅛	7.93
Denmark Kgdm. 11½ 92	100	114⅝	115⅛	0	−0⅛	8.08
EDC 8½ 92	100	102	102½	+0⅛	−0⅛	7.98
EEC 8¾ 96	100	101⅛	101⅝	−0⅛	−1½	8.04
EEC 8⅝ 91	250	103½	104	0	−0⅛	7.60
EEC 9⅝ 90	350	105¼	105¾	0	−0⅛	7.96
EIB 10¼ 94	200	109⅝	110⅛	−0⅛	−0⅞	8.53
EIB 12 95	200	121½	122	−0⅛	−1¼	8.38
Eli Lilly 10¼ 92	150	110⅛	110⅝	−0⅛	−0⅛	8.05
Export Dev. Cpn. 10 90	100	107⅞	108⅜	0	−1	7.55
Fed. Dep. Strs. 10⅛ 95	100	109¼	109¾	−0⅛	−0⅛	8.56
Ford Motor Cred. 10½ 91	150	108¼	108¾	+0⅛	−0½	8.42
Ford Motor Cred. 11⅜ 90	100	109⅛	109⅝	+0⅛	−0⅛	8.19
Gen. Elec. Cred. 10¼ 00	200	106	106½	−0⅛	−0⅛	9.41
GMAC 10¼ 89	200	106	106½	−0⅛	−0⅛	7.71
GMAC 8½ 93	300	101⅛	101⅝	0	−0½	8.23
IADB 9⅞ 95	200	109¼	109¾	−0⅛	−1⅛	8.36
IADB 10½ 95	150	114	114½	+0⅛	−0½	8.21
Merrill Lynch 8¾ 91	100	102	102⅜	−0⅛	−1⅛	8.22
New Zealand 7¾ 90	100	99¼	99¾	−0⅛	−0⅛	7.98
New Zealand 8¼ 93	250	99⅝	100⅛	0	−0½	8.26
Pepsico Inc. 7⅞ 93	200	95⅝	96⅛	−0⅛	−0½	8.18
Proct. & Gamb. 'A' 9⅞ 92	150	105	105½	−0⅛	−0⅛	8.75
Pru Realty Secs. 12⅛ 95	546	115⅞	116⅛	−0⅛	−0½	9.31
Qantas Airways 10⅜ 95	140	110¾	111¼	−0⅛	−0⅛	8.56
Queensland Govt. 10¼ 95	100	108⅞	109⅜	−0⅛	−0½	9.69
Ralston Purina 11⅞ 95	150	112⅞	113⅜	−0⅛	−1⅛	9.50
Saab Scania 9½ 91	125	104⅝	105⅛	−0⅛	−0⅛	8.15
Saskatchewan 10¼ 92	100	111¼	111¾	−0⅛	−1⅛	8.09
Scandinavia Air. 10⅛ 95	150	108¼	108¾	−0⅛	−1⅛	8.66
State Bk. S. Aust. 9⅞ 93	102⅝	†102⅞	103⅜	+0⅛	−0⅛	8.79
Statoil 10 90	170	106¼	106¾	−0⅛	−0⅞	8.05
S. Wales Trsy. 11⅛ 90	150	110¼	110¾	0	−0⅞	8.35
Swed. Exp. Cred. 10 92	100	108⅞	109⅜	−0⅛	−1⅛	8.03
Sweden 8¾ 96	200	103½	104	−0⅛	−1½	8.16
Sweden 10¼ 92	250	110⅛	110⅝	−0⅛	−1⅛	8.07
Sweden Kgdm. 10⅞ 90	200	109⅝	110⅛	−0⅛	−0⅛	7.75
Sweden Kgdm. 11¾ 94	100	115½	116	−0⅛	−0⅞	8.97
Toyota Motor Cred. 8 89	100	101⅛	101½	0	0	7.50
Victorian Rep. 11⅛ 92	150	112⅞	113⅜	−0⅛	−1⅛	8.67
World Bank 8½ 2016	150	†92½	93	−0⅛	−3⅛	9.22
World Bank 9¼ 2016	300	104½	105	+0⅛	−0⅛	8.79
World Bank 9⅞ 2016	300	104⅞	105⅜	−0⅛	−2⅛	9.23
World Bank 10¼ 95	300	113⅛	113⅝	+0⅛	−0⅛	7.98
Yasuda Trust Fin. 8½ 93	100	100¾	101¼	0	0	8.30

Average price changes on day −0⅛ on week −0⅞

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 8 94	200	108¼	108¾	+0⅛	+0⅛	6.61
Austrian Elec. Co. 6½ 95	150	100⅛	100⅝	+0⅛	+0⅛	6.42
BMW 5¾ 96	200	92⅞	93¼	0	0	6.22
Daimler Benz Int 5¾ 01	500	96⅞	97¼	0	0	6.06
Dow Chemical 5⅞ 96	300	94	94½	−0⅛	+0⅛	6.43
Dow Chemical 6¾ 95	300	101⅛	101⅝	−0⅛	−1⅛	6.52
EIB 5½ 98	150	94⅞	95¼	−0⅛	−0⅛	6.18
EIB 6⅞ 95	300	104	104½	+0⅛	0	6.25
EIB 7¼ 94	300	†104⅝	105⅛	+0⅛	+0⅛	6.53
Enthart Corpn. 6¾ 95	175	101⅞	102⅜	0	−0½	6.49
Eurofima 6¼ 96	100	100½	101	+0⅛	0	6.14
Ex.-Im. Bk. Korea 7⅞ 90	100	103⅝	104	+0⅛	+0⅛	6.51
Finland Republic 7 92	200	103⅝	104⅛	+0⅛	+0⅛	6.13
Hoesch Int. Fin. 7 95	100	102¼	102¾	+0⅛	0	6.63
Hydro Quebec 5½ 96	125	93¼	93¾	−0⅛	−0⅛	6.41
Hydro Quebec 6 2016	150	94⅛	94⅝	−0⅛	0	6.42
IBJ 5⅝ 96	200	†95⅛	95⅝	−0⅛	−0⅛	6.23
Ireland 8⅛ 92	150	107	107½	−0½	−1¼	6.57
I/S Elsam 6⅞ 93	125	†100½	101	+0⅛	0	6.61
Korea Dev. Bank 6⅝ 93	100	†96¼	96¾	−0⅛	+0⅛	7.29
Mitsubishi M. 3⅛ 89 WW	100	†107¼	107¾	+0⅛	+0⅛	0.87
Mitsubishi M. 3⅛ 89 XW	100	†93	93½	+0⅛	−0⅛	5.34
Renfe 7¾ 95	100	†105½	106	−0⅛	+0⅛	6.85
Soc. Cent. Nuclear 7¼ 95	150	104½	105	+0⅛	−0⅛	6.53
Soc. Cent. Nuclear 8 91	100	†105	105½	−1⅛	−0⅛	6.71
Steweag 5½ 96	100	†92½	93	0	+0⅛	6.52
World Bank 7 95	600	†104⅞	105⅜	0	−1⅞	6.24
Yorkshire Intl. 6¼ 2001	200	†93½	94	0	+0⅛	6.95

Average price changes on day 0 on week −0¼

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avon Cap. Corpn. 5⅜ 94	130	†102	102¼	+0½	+1½	5.05
Brit. Land Comp. 6½ 99	75	†104½	104¾	−1⅛	−0⅛	5.98
Chrysler 5¾ 96	160	†101¾	102	0	+0½	5.50
Council of Europe 6 92	120	†104½	104¾	0	+0⅛	5.12
Creditanstalt 5½ 94	200	†101½	101¾	+0⅛	+0⅛	5.25
Deutsche Bk. Fin. 5⅜ 95	100	†103¼	103½	−0⅛	−0⅛	4.87
Gen. Occidentale 4½ 94	80	†118½	118¾	−1	+6	2.06
Glendale F. S&L 5½ 95	100	†100¼	100½	−0⅛	0	5.44
Humana 5⅛ 98	120	†98½	98¾	−0⅛	0	5.28
Ind. F. Finland 5¾ 94	40	†103	103¼	+1	+1	5.27
N. Zealand Steel 5¾ 96	70	†101	101½	0	+1⅝	5.58
Oberos. Kltwk. 5⅜ 95	100	†101¾	102	0	+0⅛	5.09
Olivetti Intl. 5½ 95	100	†104	104¼	0	+1	4.92
Pepsico 5¼ 95	130	†104	104¼	+1⅛	+0⅛	4.65
Phibro-Salomon 5⅛ 97	110	†100	100¼	+0⅝	0	5.11
Ralston Purina 5⅜ 94	125	†103	103¼	−0⅛	+0½	4.90
Settsu Euro. 0 2001	100	*†46½	47	0	−0½	5.34
Tokyo Elec. Pwr. 5½ 93	120	†103¾	104	0	+0⅛	4.78
Tokyo Metropolis 5¾ 94	80	†101	101¼	−1⅛	−1	5.08
World Bank 5¼ 94	250	*†103¼	104	0	+0½	5.16

Average price changes on day 0 on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am. Exp. Ov. Cr. 5⅞ 92	20	96⅝	97⅛	+0⅛	+0½	5.96
Denmark 6⅛ 96	10	101⅝	102⅛	+0⅛	+0⅛	6.31
Dow Chemical 6⅛ 01	25	†95¼	95¾	+0⅛	+1⅛	6.67
EIB 6⅛ 96	25	101⅞	102⅜	+0⅛	+0⅛	5.92
Province de Quebec 6 96	20	†96	96½	+0⅛	0	6.46

Average price changes on day +0⅛ on week +0½

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex. Ex. Os. Cr. 0 91 A$	100	51⅞	52⅜	−0⅛	−2⅝	14.80
Bremer Ldsbk. 12¾ 91 A$	30	97¾	98⅛	0	−2	13.23
Fiat Finance 14½ 89 A$	50	98⅞	99⅜	−0⅛	−1⅜	14.94
GMAC 12⅞ 89 A$	40	98	99	−0⅛	−1⅛	13.49
Landsbk. Rhein 13 89 A$	30	97¾	98⅛	−0⅛	−0⅛	13.74
Canadian Pac. 10⅜ 90 C$	75	†98⅞	99⅜	−0½	−2¼	10.62
Chrysler Fin. C. 10 91 C$	75	†92⅛	92⅝	−0½	−2¼	11.35
Genstar Fin. 11¼ 95 C$	75	†106⅜	107⅛	−0⅞	−0⅛	10.52
GMAC 9¾ 92 C$	75	†93⅞	94⅜	−0½	−5¼	10.64
Royal Trustco 10⅞ 90 C$	75	†105½	106	−0½	−2	8.70
Sears Acc. 10⅞ 92 C$	75	†103	103½	−1	−1½	9.88
Coca-Cola F. C. 17 90 NZ$	75	†105½	106½	+0⅛	+1⅛	14.74
Denmark 17½ 89 NZ$	50	*†101½	102	0	−1	16.45
Unilever Cap. 17½ 89 NZ$	50	†102	103	−0⅛	+0⅛	16.35
Copenhagen City 9 95 Ecu	40	†105	105½	−0½	−0½	8.16
EIB 8⅝ 93 Ecu	100	†105⅞	106¼	−0½	−1⅛	7.43
Walt Disney 8⅞ 94 Ecu	63	†105¼	105⅝	−0½	−1	7.77
Honda Mtr. WW 3⅞ 90 Fl	100	107⅛	107⅝	−0⅛	−0⅛	1.76
Honda Mtr. XW 3⅞ 90 Fl	100	92⅛	92⅝	−0⅛	−0⅛	6.19
Thyssen 7¾ 90 Fl	50	†103¾	104¼	0	−0⅛	6.11
Wereldhave 7½ 90 Fl	75	104	104½	0	0	6.27
Wessanen 6¾ 90 Fl	50	102¼	102¾	+0⅛	0	6.05
Amev 11 93 £	50	†102⅛	102⅝	+0⅛	−0⅛	10.44
Australia Com. 11 92 £	40	102¼	102¾	−0⅛	+0⅛	10.37
GMAC UK Fin. 10½ 90 £	30	101⅛	101⅝	+0⅛	−0⅛	9.97
Imp. Chem. Inds. 10 05 £	100	99¼	99¾	−0⅛	−1	10.05
Imp. Chm. Inds. 10¾ 92 £	75	101¾	102¼	−0⅛	−1	10.28
Invst. In Inds. Int. 10 93 £	60	†99	99½	+0⅛	+0½	10.14
Leeds Bld. Soc. 10½ 91 £	50	†100	100½	+0⅛	+0½	10.40
McDonalds 10⅞ 90 £	40	†103¼	103¾	+0⅛	+0⅝	9.68
Nationwide BS 10⅛ 93 £	[illegible]	†98	98½	−0½	−1	10.48
NSW Treasury 10⅝ 92 £	50	100⅛	100⅝	+0⅛	+0⅛	10.51
Royal Insce. 10¾ 92 £	60	102¼	102¾	−0⅛	−1	10.17
J. Sainsbury 10⅞ 93 £	60	†101½	102	+0⅛	−0½	10.46
Tsthse. Forte 11⅛ 90 £	50	†101¾	102¼	−0⅛	−0⅛	10.57
World Bank 11¼ 95 £	100	109⅝	110⅛	+0⅛	+0⅛	9.51
CoE 8⅞ 95 LFr	600	†105⅞	106⅜	−0⅛	+0⅛	7.92
Nat. L. Alum. 10½ 92 LFr	600	†100⅞	101⅜	−0½	−1⅜	10.25

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bldg. £ 94	0.08	99.69	99.74	10/10	10.08
Bank of Montreal 98	0.05	100.37	100.40	23/01	5¾
Barclays Bank Perp. 1	0⅛§	100.71	100.81	02/01	7.06
Barclays Bank Perp. 2	0⅛§	100.35	100.45	14/02	6¾
Belgium, Kingdom of 91	0	100.72	100.96	19/08	8.06
BNP 5¼ 95	0.05	102.55	102.65	12/01	6.00
Britannia 5 93 £	0⅛	100.04	100.12	08/10	10.19
CCF 5¼ 97	0	99.62	99.72	14/05	6.94
Citicorp 98	0¼	99.78	100.01	29/08	7.19
Credit Lyonnais 5 2000	0⅛	100.84	100.94	12/01	6.83
EEC 3 92 DM	0	100.42	100.45	20/08	4.44
EEC 5¼ 93 Ecu	0.0312	99.65	100.05	30/07	7.66
Halifax Bldg. Soc. £ 94	0.1	99.91	99.96	06/08	10.54
Lloyds Bank Perp.	0⅛	100.75	100.86	09/12	7½
Midland Bank 2001 £	0.1	99.69	99.92	07/08	10.60
Milk Mrktg. Board 5 93 £	0⅛	100.28	100.33	26/09	9.94
NatWest Perp. A	0⅛§	100.56	100.66	09/01	6.95
NatWest Perp. B	0⅛§	100.49	100.59	09/08	6⅞
New Zealand 5 97 £	0.07	100.09	100.39	14/08	10⅛
New Zealand 5 2001	0	100.25	100.55	04/08	8.13
Prudential Corpn. 4 95 £	0.1	99.96	100.19	05/09	9.85
Royal Bk. Scotland 5 Prp.	0¼	†100.77	100.87	11/12	7¼
United Kingdom 5 92	0	100.46	100.51	07/10	7.19
Woodside Financial 5¾ 97	0	100.07	100.37	29/07	6.81
Woolwich 5 95 £	0⅛	100.03	100.09	19/09	10½

Average price changes on day +0.01 on week −0.05

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1059	268¼	270¼	−2	6.05
Fanuc 3¾ 98	1/84	7032	211¼	213¼	+0⅛	64.50
Fuji Heavy Inds. 3 2000	8/85	676	110½	111½	−0⅞	−1.83
Fujitsu 3 99	5/84	1320	110½	111½	−4¼	11.69
Marui 3½ 99	7/84	1162	373⅝	375⅝	+0½	0.21
Minolta Camera 2¼ 94 DM	2/86	1185	100	100¼	+0⅛	43.51
Mitsubishi Bank 2⅞ 00	8/85	1764	151¼	153¼	+5½	3.33
Mitsubishi Elec. 2⅞ 00	3/85	422	153¾	155½	+5½	−2.75
Mitsui Bank 2⅛ 01	4/86	101.9	125⅞	126⅞	−0½	−98.58
Murata 3½ 2000	7/84	2398	128⅝	129⅝	−3⅛	13.25
Nippon Elec. 2⅞ 2000	1/85	1295	163¼	164¾	−2⅞	62.71
Nippon Oil Co. 3 2000	5/85	923.0	223⅛	224⅞	−0⅛	9.02
OKI Elec. Ind. 3½ 99	10/84	805.0	138¼	139¼	−2⅞	−3.57
Sanwa Bank 2¼ 00	10/85	1486	149½	150⅞	−5	0.23
Sekisui House 3 99	6/84	632.0	341	343⅛	+0⅛	−1.48
Sumitomo Bank 2¼ 2000	8/85	2142	155⅛	156⅞	−3¼	1.24
Sumitomo Corpn. 2⅞ 99	5/84	599.0	265⅞	267⅞	−3⅛	8.57
Taiyo Yuden 3⅛ 2000	3/85	1078	†144	146	0	−2.26
Toshiba Ceramics 3 2000	4/85	1734	117⅞	118⅞	−0⅛	1.21
Nippon Oil Co. 2⅛ 92 SFr	3/84	1052	*†145½	145¾	0	3.31
Nippon Shinpan 2 92 SFr	3/84	981.0	†221	222¼	−6	22.35
Asics 5 92 DM	12/85	520.0	157¼	158	−3⅛	3.03
Renown 3⅛ 90 DM	3/85	675.0	150¾	151½	−0½	−3.67

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTL. COMPANIES and FINANCE

Steven Butler assesses the likely effects of a range of rule changes

Foreign banks face Korean squeeze

"I JUST lost a lot of money," says a foreign banker in Seoul. The statement fairly well sums up the reaction of the city's foreign banking community to a range of rule changes and rate adjustments announced by the Bank of Korea that will take effect next month.

The changes have been billed locally as a further step toward "national" treatment of foreign bank branches in Korea—putting the foreign banks under a set of rules more similar to those governing domestic banks, a move some foreign banks have long sought. Beginning in August, foreign banks may access the central bank's rediscount window for corporate bills. But if they do, they will pay a price.

"It is a step in the direction of national treatment," says Mr John Torp, manager of the Seoul branch of Bank of America, "but it is a difficult step for the banks to take."

Indeed, the announced changes could mark a major turning point in Korea's relations with the foreign banks, which have heavily supplied, and profited from, Korea's enormous appetite for foreign capital. Korea's foreign debt now exceeds $47bn, much of it borrowed from commercial sources, and no foreign bank has ever lost money on Korean loans.

The foreign bank branches in Seoul have played only a minor direct role in supplying that capital, but indirectly they have played an important part—often serving as an advocate for Korea with head offices when the going was rough. Inside Korea the foreign banks have earned attractive returns in a heavily constricted and regulated environment that has been virtually risk-free.

The message behind the most recent rule changes is that Korea no longer needs the foreign banks, or their capital, as much as it once did. Many banks, looking further down the road, see that Korea's dependence on the foreign banks will continue to decline and they are now beginning to ask how long the Korean Government will act to shield them from the risks of lending to domestic companies.

The new rules open a two-tier system for the foreign banks. Once a bank taps the rediscount window for corporate bills, it enters the first tier and cannot go back. From that point, it must extend 35 per cent of all incremental loans to small and medium-sized companies, compared to a 25 per cent requirement for banks that remain in the secnd tier.

Aside from the nettlesome requirement to fuss with small borrowers, moving to the first tier exposes the banks to a new set of risks without promising significantly higher returns. The move to the first tier also fails to meet a prime goal of the foreign banks—gaining greater access to local currency.

Instead, the banks are finding themselves squeezed on rates yet unable to make up the lost income through an expanded volume of business.

When foreign banks set up shop in Korea, they are given a swap allowance, based roughly on the amount of capital brought into the country. Up to the swap limit, they may exchange foreign currency for Korean Won. The Bank of Korea then guarantees the bank against losses due to foreign exchange rate fluctuation, and has further guaranteed a 0.75 point margin on interest rates.

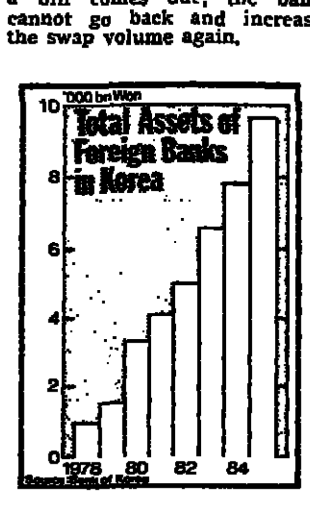
Under these arrangements, about $1.8bn of foreign exchange has been brought into the country.

One bank has calculated that assuming a fairly common 10 per cent compensating balance on loans and factoring in other peculiarities of the arrangements, such as prepayment of interest and the difference between imputed and actual loan rates—the banks have been able to earn a handsome 2.48 per cent real return on funds.

Because of the scarcity of Won funding at bank interest rates, the bankers were also usually able to negotiate additional fee-based business—guarantees, letters of credit, or foreign exchange transactions—to fatten the deal.

Under the new rules, the guaranteed margin for swap transactions has been lowered to 0.5 points and the banks must now pay 0.3 per cent to the Korea Credit Guarantee Fund. The result, using the same set of assumptions, has been to lower margins to 1.90 points, which by itself is still an attractive return given the low risks.

For banks which enter the first tier, the picture hardly improves. For large companies, the central bank will rediscount 30 per cent of corporate bills at 7 per cent, but the bank then permanently loses swap privileges equivalent to 75 per cent of the amount rediscounted. The net effect is to lead to a 2.005 per cent real return on funds, hardly better than straight swap transactions and with the added risk that if a customer does not renew when a bill comes due, the bank cannot go back and increase the swap volume again.



When dealing with small and medium industry, where bills can be rediscounted up to 60 per cent, the returns rise to 3.78 per cent. Nonetheless, most foreign banks say they are technically unequipped to deal with small Korean companies, where accounting standards are low and loans are difficult to collateralise safely.

Most banks so far have met the requirement to lend to small companies by lending to joint ventures, where the foreign parent company is typically a large multinational corporation.

All of these restrictions might be less bothersome but for the fact that the foreign banks have no alternative means to raise local funds. There is no operating interbank market, and the banks are not allowed to issue negotiable certificates of deposit. If they do raise local funds, the cost is higher than bank lending rates, which are kept artificially low.

The profits of every foreign bank branch in Korea will suffer as a result of the new rules. For larger banks, particularly those which arrived in Korea earlier and have larger swap allowances and a wide range of other services to offer customers, the loss of profits will not be so noticeable. These banks have established close local ties and are well positioned to profit from the return of Korean companies and banks to offshore capital market instruments.

It is the smaller banks, with local profits in the hundreds of thousands of dollars and an expensive expatriate staff to support, that may begin to look harder at their reasons for staying in the country. "Korea is overbanked," comments one foreign banker, looking at the 52 foreign bank branches that have been set up.

Korea's ability to squeeze the foreign banks reflects its sharply improved economy. Economic growth this year is expected to approach 10 per cent, and both the trade and current accounts should finish the year well into the black for the first time.

Foreign banks have also come under sharp political attack in Korea for their allegedly exorbitant profits. Domestic banks, by contrast, are crippled by billions of dollars of bad debts resulting from government-inspired loan programmes.

The changing economic and political environment has led many foreign bankers to look harder at the future. The theory of "Korea Inc" was tested and not found wanting last year when the giant Kukje group failed. Every foreign bank that lent to Kukje was bailed out.

The government nonetheless paid a heavy political price, and with Korea's opposition becoming increasingly vocal, many wonder whether the government could support another massive rescue. As a result many bankers are shying away from long-term commitments to Korean companies whose levels of debt would typically disqualify them from loans in the West.

Still, while no banker is happy about the prospective loss of local profits, in so far as it stems from Korea's economic success, the chances have improved that banks will be repaid for their commitments to the country, which in individual cases have run into the hundreds of millions, or billions of dollars. The flip side, and the worry, is that foreign banks will become increasingly irrelevant.

UK COMPANY NEWS

Dee consolidates with £83m

Dee Corporation, the food group headed by Mr Alec Monk, yesterday reported pre-tax profits of £83m—just in line with City expectations—in what the chairman called a year of consolidation.

Mr Monk said: "The scale, rapidity and complexity of the digestion of International Stores and Lennons into Gateway Foodmarkets is difficult for those outside the business to comprehend fully." The shares were unchanged yesterday at 230p.

The chairman added that all subsidiaries traded well and all reported record profit contributions. Group sales increased by £426.3m to £2.86bn, an increase of 17.5 per cent in a year when food inflation fell to a very low level. Total UK retail sales increased by 11 per cent to £2.11bn, while retail margins, excluding property profits, strengthened from 2.98 per cent to 3.82 per cent. Linfood Cash and Carry increased sales by 34.3 per cent to £640m.

"We have yet to derive all the benefits of the purchase of International Stores in spite of the substantial progress made to date. The remaining International fascias will all be converted to those of Gateway Foodmarkets before the 1986 Christmas trading period begins," the chairman said.

Carrefour increased sales by 13 per cent in spite of a poor 1985 summer and 1986 spring. F. A. Wellworth continued to trade very successfully, and trading profits increased by 11.3 per cent. New stores were opened successfully at Armagh and Comber, with further new stores under construction at Limavady, Ballyclare, Downpatrick and Coleraine.

Linfood Cash and Carry traded very well, with sales increased by 34 per cent, including Lonsdale and Thompson. Sales growth was an impressive 22 per cent in spite of very low inflation and very intense competition. Sales increased strongly in all sectors.

Own label sales increased by 88 per cent to £79m. Trading profits, excluding property profits, increased by 32.5 per cent to a record £5.6m, but considerable further growth is still coming through as sales growth remains very strong. "Lonsdale and Thompson and the newly acquired James Hall cash and carry business will be integrated totally into Linfood by August 1986," said Mr Monk.

Digsa, the Spanish subsidiary, traded very well with profits up by 83 per cent, which reflects in part the purchase of Algete and Cadadia in 1985. Both these Madrid-based companies were losing money when acquired and the chairman said that the result was a fine performance.

"It is pleasing to report that the new companies are being integrated successfully and profitably. Some 24 additional shops are planned to open in the current year."

Herman's Sporting Goods, the largest specialty retailer of sporting goods, sports apparel and athletic shoes in the US, was acquired a few days before the end of the year. Its impact on the 1985-86 results was consequently negligible. In the current year, it is expected to be a major contributor to profits. Major progress has already been made to accelerate the expansion of Herman's since its acquisition—plans have already been agreed for 59 stores to be added.

On earnings per share 17 per cent ahead at 16p—after a much increased tax charge of £8.15m—the directors have recommended a final dividend of 4.4p—0.4p ahead of last time—to raise the total to 7.2p (5.8p).

The company's year ended April 26.

See Lex

Launch of new fund delayed for few months

By Clive Wolman

THE LAUNCH of the UK's first passively managed international fund has been postponed for three to four months because of the slow response of pension fund trustees and managers to the pathfinder prospectus.

River and Mercantile Investment Management, with the support of stockbrokers Wood Mackenzie, produced the prospectus for the River and Mercantile International Index Trust three weeks ago with the intention of raising £150m by the end of this month.

Fund manager Ms Vivien Gould claimed yesterday that the response had been considerable.

"Because this is a new type of product, the decision on whether to invest has had to go to trustees or committees, and it is taking more time than we expected," she said.

The postponed launch is now likely to take place in October or November, and the company has abandoned its £150m target. The revived plan is to launch the fund, if necessary, with substantially fewer assets and to grow at a later date through a series of rights issues and placings.

The fund aims to match the returns on the most widely used benchmark of the performance of world stock markets, the Morgan Stanley Capital International World Index, but excluding the UK stock market.

This would be achieved by investing in a representative sample of about 300 companies, chosen on a statistical basis without reference to the projected profitability of the companies.

Acatos & Hutcheson

Acatos & Hutcheson, the edible oils producer being floated on the stock market, appeared to have received a warm response to its offer for sale when the application list closed yesterday.

The offer of 4.7m shares at 160p a share was said by Hill Samuel, the merchant bank, last night to have been reasonably oversubscribed—probably by nearly 1½ times. Details of the response and the basis of allotment will be announced today.

Strong results in UK push NatWest up 34% to £482m

National Westminster Bank yesterday reported a 34 per cent increase in profits to £482m for the first half of this year, thanks mainly to strong results in its domestic UK operations. It is also confident that the group's prospects for the year as a whole are good.

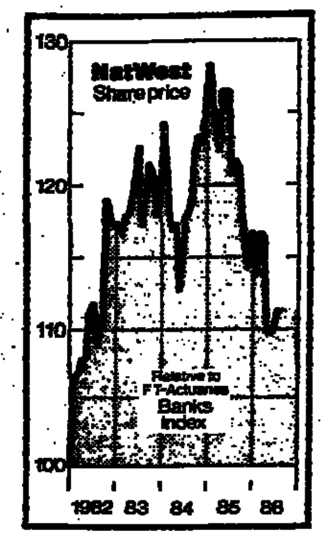
Lord Boardman, the chairman, said: "This represents an excellent trading performance, with steady income growth being achieved in a period of falling interest rates worldwide, and with effective control of our operating costs."

He added: "As we look at the world, the combination of falling oil prices, lower inflation, and declining nominal interest rates has not yet worked through to create the expected economic growth. But I believe the world economy is set to strengthen towards the end of this year and through 1987.

"In these business conditions, National Westminster Bank is well-placed for further success."

NatWest's UK domestic banking business earned £320m, up 57 per cent on £204m in the first half of last year. Most parts of the group performed well in a highly competitive market.

Profits from the international banking division were up from £111m to £116m. NatWest US announced a 21 per cent increase in after-tax profits in dollar terms in the first half.



Related banking services profits were unchanged at £46m. The Lombard Group maintained its profits despite a contraction of the leasing markets. NatWest Investment Bank, the group's new capital markets group, earned high trading revenues, but these were largely absorbed by the start-up costs of NatWest's "Big Bang" operations. The profit at NWIB was about £1m.

Lord Boardman said the group continued to take a prudent view of world trading and economic conditions and made provisions of £173m, up from £151m in the same period last year. The bulk of these were specific provisions for bad and doubtful debts in the UK.

The group's post-tax profit of £289m (up from £202m) enabled it to transfer £235m to reserves. The interim dividend is 7p a share, an increase of 10.4 per cent.

The group's costs, as a percentage of total income, were 74 per cent as against 76 per cent in the same period last year. Staff costs were up 12 per cent, with half of the increase due to expansion of subsidiaries and new activities.

The balance sheet grew 5 per cent to £76.4bn, and the after tax return on total assets was 1.28 per cent, up from 1.01 per cent.

Mr Philip Wilkinson, group chief executive, said that NatWest Investment Bank was emerging as a powerful institution in the world capital markets.

In the UK the introduction of "free in credit" banking last year had brought the bank 108,000 net new accounts, more than offsetting the losses incurred last year. NatWest Home Loans is now one of the largest mortgage makers in the UK with a book of £3.5bn. Repossessions this year totalled only 150 out of a customer list of 135,000.

See Lex

Splash on target for at least £0.4m

Splash Products, the novelty T-shirt printer which was floated on the USM in April, yesterday produced interim pre-tax profits of £71,000 and said it was on target for at least £400,000 for the year to October.

Comparative interim figures were not provided but last year's full-year pre-tax profit was £402,000 after an exceptional credit of £60,000.

Splash said its turnover of £1.9m was 3 per cent ahead of last year's first half in spite of a standstill in prices, poor weather and a lack of tourists.

Most of Splash's sales are in the second half and the company said the recent reported recovery in tourism, together wtih the warmer weather, made the outlook promising.

Whitecroft

Mr Tom Weatherby is the chairman of Whitecroft and not Mr Tavare as stated in yesterday's report.

HP Bulmer will not be reducing its advertising expenditure, as reported in yesterday's FT, but will be increasing it in the course of the current financial year.

All-round growth boosts CAP

ALL OPERATING divisions of the CAP Group made progress in the year ended April 30 1986, and profits before tax rose nearly 28 per cent, from £2.12m to £2.71m.

CAP is one of the leading software houses in the UK. In May it acquired Yarrow, and both companies are heavily involved in systems engineering in the defence-related fields.

The directors said the resources of CAP Scientific and YARD (the main business of Yarrow) amounted to more than 1,000 professional staff in engineering consultancy work. The merger also greatly strengthened the capital resources available and augured well for the growth of the group.

Results for the year excluded Yarrow. Turnover rose from £36.47m to £50.6m. After tax £1.07m (£885,000), the net profit came to £1.63m (£1.24m) for earnings of 7.9p (7.6p) basic and 7.6p (7.3p) diluted. There is a final dividend of 1p making 1.5p net, as forecast when CAP came to the stock market a year ago.

Extraordinary credits totalled £441,000, principally on the sale of 50 per cent of Stephen Howe.

● **comment**

The market was expecting £3m plus from CAP at the interim stage and these results reflect a rather sluggish growth in earnings per share. The problems came at ACI, the EFTPOS supplier which made a £300,000 loss; at Gresham Cap, which experienced hold-ups on the TDHSI programme; and at the New York office. There should be better news on all three fronts this year, with ACI due to come back into profit, the TDHSI programme on stream and the New York office about to be sold. This year's figures will depend ver ymuch on the contribution from Yarrow which forecast profits of £3m during the takeover bid. That forecast was for the year to June 1986 and included a pension holiday and substantial interest income. This year, the cash mountain will be whittled down by the costs of the bid and it is hard to see Yarrow's 10-month contribution topping the £3m mark. Eliminating the ACI deficit and adding on 25 pe rcent underlying growth gives £3.75m from CAP; a conservative addition of £2.75m for Yarrow makes £6.5m in all. On a tax charge of 35 per cent, that leaves the shares, at 198p on a p/e of 17—suggesting that all the growth is in the price.

HAT replies to BET charges

HAT, the paint and scaffolding business fighting a £96m bid from industrial services group BET, yesterday hit back at BET's offer document, which it described as a "cynical catalogue of selected snippets."

HAT said the offer remained completely unacceptable and argued that BET's share price was "on the slide," reducing the value of the bid. It was absurd for BET to question HAT's financial strength when its own balance sheet gearing, at 65 per cent, was higher

Additionally, BET's claims of commercial logic failed to recognise the specific niche markets served by HAT and their special characteristics. HAT acknowledged that the decline in the oil price had hit its diversification into the Houston property market and other oil-related activities, but BET had failed to mention the progress of other divisions.

Gold Greenless over forecast

FIRST PUBLISHED results from advertising agency Gold Greenless Trott show that its prospectus forecast was comfortably beaten. The company came to the market in March at 165p per share.

Turnover totalled £31.47m and pre-tax profit came to £1.47m, in the year ended April 30 1986, compared with the forecasts of £29.5m and £1.3m respectively. That was largely attributable to additional business won near the end of the financial year, with advertising appearing almost immediately, the directors explained.

Those figures also compared with £18.67m and £638,000 respectively achieved in the year ended April 30 1985.

Operating profit in the year was £1.15m (£485,000) and investment income £311,000 (£153,000) net. Tax took £636,000 (£327,000) to leave the net attributable profit at £829,000 (£311,000), or 10.25p (3.89p) per share. The dividend is the forecast 1p net.

● **comment**

When Gold Greenless Trott surfaced on the stock market in March it anticipated profits of £1.3m or so for the 1985-86 financial year. An unexpected new account, and speedy spending, from the Daily Express bumped up profits in the final month of the year and the agency sailed ahead of expectations. Shareholders, who have already watched the shares rise from 165p since the flotation, saw another increase of 5p to 210p yesterday. New business is still buoyant. Since going public GGT has gleaned additional accounts from existing clients, Cadbury and Toshiba, as well as new accounts from the Express and Ariston. This, combined with first time contributions from last year's new business wins—such as National and Provincial and the Manpower Services Commission — should buoy profits to £1.85m for 1986-87 producing a prospective p/e of 17.5. Meanwhile the agency's management is sensibly eschewing Saatchiesque concepts of globalisation and will continue to concentrate resources on augmenting its core consumer advertising activities.

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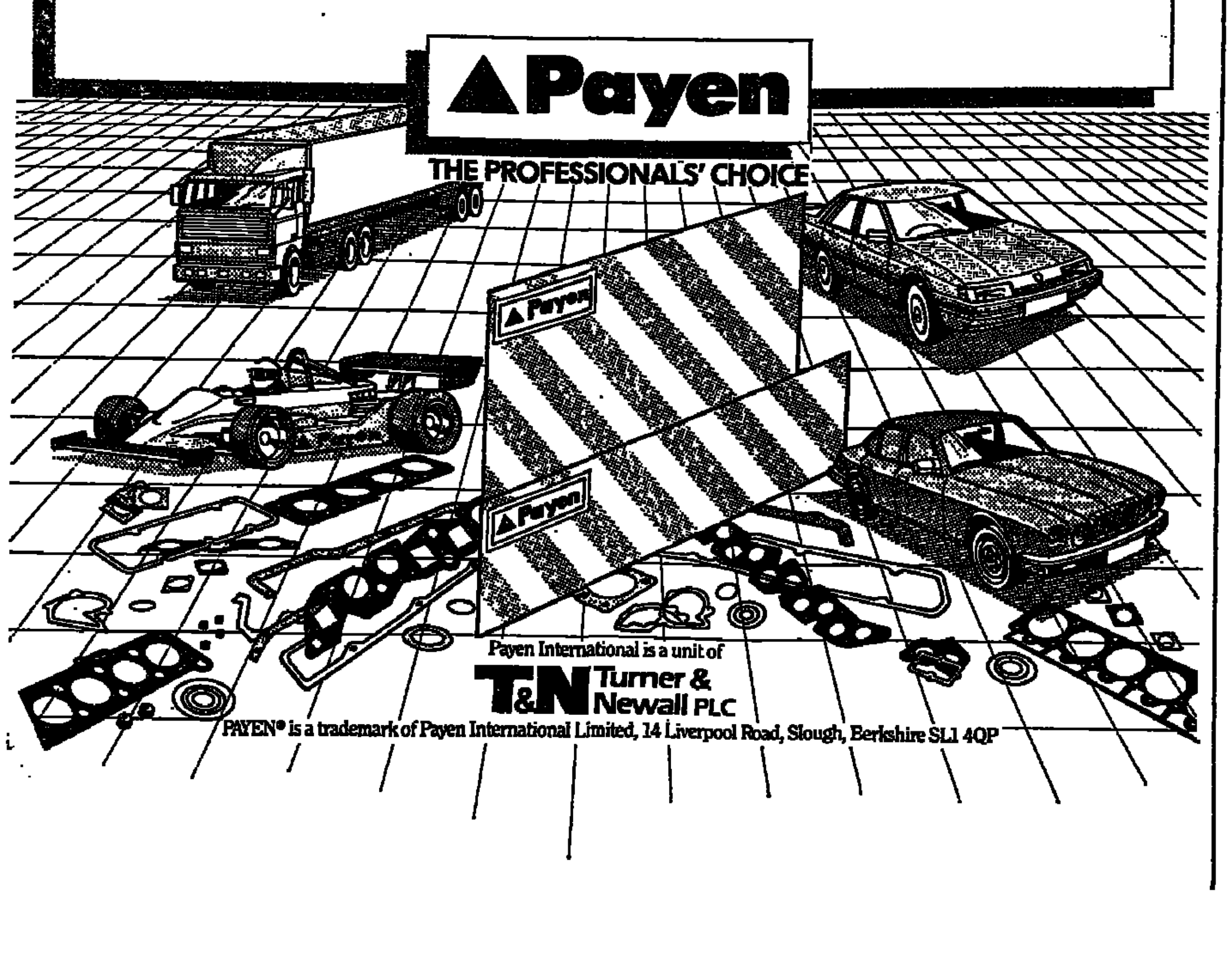


UK COMPANY NEWS

Booker expands health foods with French buy

BY DAVID GOODHART

Booker, the agribusiness, health products and food distribution group, has announced a major expansion to its health products division with the acquisition of a 38 per cent stake in La Vie Claire, the French health food chain which is part of the private Bernard Tapie Group.

Booker is paying just under £10m for the stake but has an option to acquire majority control by 1990—an option which is almost certain to be taken up, according to Mr Angus McKenzie, the Booker health products chief executive.

Three Booker executives will join the board of La Vie Claire: Mr McKenzie, Mr David Turner, the Booker finance director, and Mr Philip Gee of the health products.

The price tag for the 38 per cent stake depends on the French company making a profit of about £3m on sales of near £40m. The price for the rest of the company will depend on market value as it is likely to be floated on the French Duexieme Marche (equivalent to the USM) next year.

Mr Bernard Tapie—main shareholder in the £550m turnover parent company—has agreed to hold enough shares in La Vie Claire to allow Booker to buy up to 67 per cent.

Mr Jonathan Taylor, the Booker managing director, said that La Vie Claire is the largest of health food shops and the premier health food brand in France.

It operates 200 mostly franchised shops throughout that country and has over 100 product lines as well as a national delivery system, a factory near Tours, and several related businesses.

Booker is cash rich having recently sold Budgen to Barker and Dobson for £80m. Its health products division made pre-tax profit of £5.4m on turnover of £103m in 1985.

The idea for the deal came from Chase Manhattan in Paris, rather than either of the companies involved. Mr McKenzie stressed that La Vie Claire had many products which would be complementary with the UK health division. The Booker share price fell 2p to 365p.

Coline Intl joining the USM

Coline International, a newly-formed group which makes a range of electrical components and accessories, is coming to the unlisted securities market through a placing which will give it a market capitalisation of £10.2m.

Schroders, the merchant bank, is placing 2.5m shares—representing 27 per cent of the enlarged equity—at 110p a share. Broker to the issue is Cazenove.

Coline International was formed last September to merge Coline Limited, a specialist in accessories for electronic testing equipment, and A. Blundell and Co, a volume producer of precision components for electrical plugs and sockets. Blundell is one of Coline's biggest suppliers.

Coline is a major UK producer of oscilloscope probes.

Pre-tax profits of the combined group rose from £176,000 in 1981 to £871,000 in the year to last October on turnover up from £2.8m to £7m. Sales of Coline's oscilloscope probes and connector components have risen quickly in the last two years but the fastest growth last year came through a £1.1m boost to sales from a contract to supply diagnostic equipment to Ford Motor.

Coline says that although further profits from this contract will be negligible in the current year, it expects further strong progress from its other activities and it is forecasting pre-tax profits of at least £1.25m. This puts the shares on a prospective p/e ratio of 12.

The placing will raise £1.7m for existing shareholders and about £740,000 for the group.

TVS £19m rights issue to fund its overseas expansion

BY ALICE RAWSTHORN

Television South, the independent television company, announced plans to raise £19.3m through a one-for-three rights issue yesterday in order to finance its expansion into the international television services field.

The company also unveiled plans to acquire the Midem Organisation, a Paris-based organiser of trade fairs for the television, video and music industries. TVS will pay FFr 50m (£4.93m) cash.

Earlier this year TVS made its first overseas investment by purchasing the Gilson Corporation, a US distributor of television programmes. The company is also negotiating for a ten per cent stake in the joint ITV/Virgin Group pan-European cable programming venture, Superchannel, which will cost £4m over four years.

TVS intends to use Midem Gilson as the basis of a new company which will offer a comprehensive range of services, including public relations, conference organisation and finance broking to the television programme production sector. The new company, which has yet to be named, should become operational in October and will function independently from TVS's television contracting activities in the UK.

"Our intention is to leave TVS free to concentrate on running our independent television franchise while the new company takes advantage of the opportunities being created by the deregulation of television in Europe," said Mr James Gatward, TVS's chief executive.

The creation of the new company will be funded by the rights issue. In the issue TVS will release 9.96m new ordinary non-voting shares. One new ordinary share will be offered for every three shares already held at 200p a share. TV's share price well by 12p to 228p yesterday.

The offer has been made on a corresponding basis to holders of TVS's 10 per cent subordinated convertible unsecured loan stock 1997, as if the conversion rights attached thereto had been exercised in full.

Two of the largest shareholders, Whitbread and Friends Provident Life Office have undertaken to take up their rights. The rest of the issue has been underwritten by the ANZ Merchant Bank. Capel-Cure Myers are the brokers to the issue.

TVS is also formulating plans to reform its share structure by enfranchising non-voting shareholders. A committee of the main board will consider the issue.

In recent months several ITV companies have enfranchised non-voting shares, including Thames and TV-am, and Central is considering doing so.

Holmes & Marchant seeks full SE listing

BY RICHARD TOMKINS

Holmes & Marchant, the USM-quoted sales promotion and graphic design company, yesterday announced that it was seeking a full listing and forecast profits of £1.95m for the year to September.

Shares in the company, floated last May through a placing at 300p, closed 5p up yesterday at 665p.

Holmes & Marchant said main market companies tended to be followed by a wider range of investors than USM ones, and it also feared liquidity in the USM might be reduced after Big Bang this autumn.

In order to qualify for a listing, the company is increasing the amount of shares in public hands to just beyond 25 per cent through a placing of 550,000 of the shares held by the directors.

Most will be sold by Mr John Holmes, chief executive, whose interest falls from 44 to 34 per cent. No further share sales by directors are planned.

Holmes and Marchant's profits forecast incorporates a £525,000 contribution from Blitz Design and Graphics, bought at the end of last year and included on a merger accounting basis. The adjusted pre-tax profits figure for 1985 is £1.24m.

Mr Holmes said the group's two new ventures, Financial Statements and Matrix Marketing and Promotions, were making satisfactory progress and the existing businesses had won important new clients such as Grand Metropolitan, Allied Lyons and Currys.

The company's transition to the main market is expected to take place next Monday. A one-for-one capitalisation issue is also proposed for the middle of August.

DIVIDENDS ANNOUNCED

	Current Payment	Date of payment	Corre-sponding div.	Total for year	Total last year
AMS Inds ....int	0.5	Oct 6	—	—	—
Burmatex ....int	2.75	Oct 1	2	—	5.75
CAP Group	1	—	—	1.5	—
Dee Corp	4.4	Oct 1	4	7.2	5.8
DJ Security ....int	‡0.65	Sept 8	0.65	—	1.5
Havelock Europa	†2.88	Oct 3	1.6	4	2.3
NatWest Bank ......int	†7	—	10	—	28.2
Rights and Issues ...int	1.1	—	1	—	4
I. D. & S. Rivlin	‡0.1	—	0.1	0.1	0.1
Radius ....int	‡1	Oct 2	—	—	0.44
Eliza Tinsley	‡1.89	—	1.89	2.89	2.89

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: C.S.C. Investment Trust, John I. Jacobs, Mount Charlotte Investments, Ocean Transport and Trading, Plastic Constructions, Somportex, Wace.

Finals: Acsis Jewellery, Gibbon Lyons, Greggs, MS International, Mercantile House, Multitone Electronics, Stavert Zigomala, Transcontinental Services.

...FUTURE DATES

Interims—

Clarke (T.)	Aug 15
Securicor	Aug 6
Security Services	Aug 8
Smith and Nephew	Aug 6

Finals—

Howard Shuttering	Aug 11
Impala Platinum	Aug 18
Jackson (William)	Aug 7
Property Security Invest. Trust	Aug 6

UK COMPANY NEWS

Tony Jackson takes a look at Smurfit's audacious and ambitious US acquisition

Irish financial sleight of hand

LAST WEEK'S $1.16bn (£779m) purchase by the Irish group Jefferson Smurfit of Container Corporation of the US will create perhaps the seventh or eighth biggest paper company in the world. It is also a remarkable piece of financial sleight-of-hand, whereby Jefferson Smurfit is taking effective control of a company bigger than itself without the slightest effect on its balance sheet.

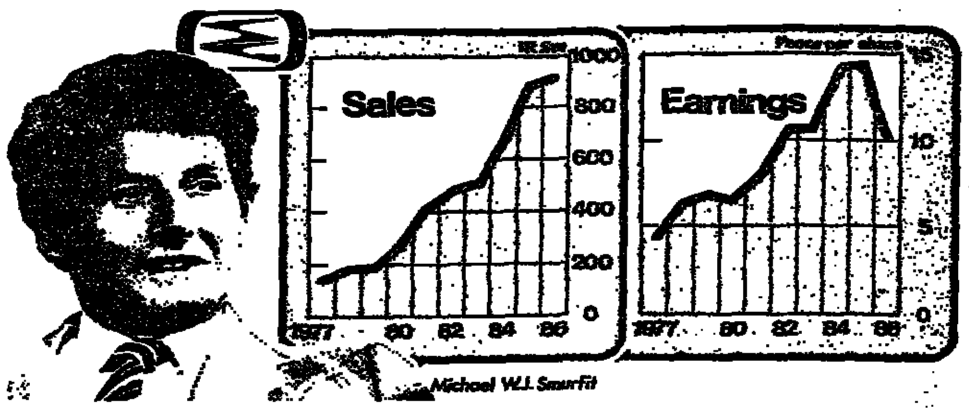
The audacity of the deal has plenty of precedent in the history of Ireland's biggest company, ever since the founder, John Jefferson Smurfit—a master tailor from Sunderland who emigrated to Ireland—switched to packaging on being sold a share in a carton-making business by the priest who officiated at his wedding in Dublin in 1934.

The company went public in Ireland 30 years later, rating 62nd among the 64 companies on the Irish stock exchange by size with sales of around £1m. In 1970, it made its first big acquisition step by buying the Healy Group, Ireland's leading packaging company and three times Smurfit's size.

In 1972 the group made its first UK acquisition—W. J. Noble, a Yorkshire carton maker—and moved into the US with the purchase of Time Industries, a Chicago paper and packaging company, in 1974.

John Jefferson Smurfit died in 1977, and the board is now dominated by his four sons, Michael, Jefferson, Alan and Dermot. Since 1979, a number of much bigger US acquisitions have made North America by far the biggest of Smurfit's areas of operation, accounting for 69 per cent of last year's trading profit (down from the previous year's 82 per cent, chiefly because of the US paper industry's problems last year, caused by weak prices and the strong dollar).

Throughout the group's history, very few of the acquisitions have been outright in the first instance. According to Mr Dermot Smurfit, who heads the group's UK operation, there is a simple reason for this.



Michael W.J. Smurfit

"Prudence," he says. "Our strategy has been to do our acquisitions on a low risk basis—having a look at the numbers from the inside before we buy the business out. We've been criticised for paying more that way than we would with an outright bid, but it's a question of your approach to risk."

The latest purchase, from the oil group Mobil, is to be through a company formed for the purpose, JSC/MS Holdings. JSC/MS is a 50-50 joint venture between Jefferson Smurfit's US subsidiary, Jefferson Smurfit Corporation, and Morgan Stanley, the US investment bank.

The purchase price will be principally met by $600m of bank borrowings, secured against net assets of $671m, and the sale of $400m of what is politely known as subordinated debt—less politely, junk bonds.

Liability for the debt is wholly a matter for JSC/MS, with the joint owners being liable only for their equity stake—which, though not disclosed, is apparently of token value.

The general idea is that between four and seven years from now Jefferson Smurfit will buy out its equity partner. There is no obligation to buy, but conversely Morgan Stanley is entitled to sell to anyone else if Jefferson Smurfit demurs.

The origins of the deal lie with Morgan Stanley. Some nine months ago, Mobil said publicly that it was reviewing its operations, and Morgan Stanlel, which has among its executives a former chairman of the US group International Paper, pursued the hint, involving Smurfit along the way.

For Smurfit, the chance was in one sense inopportune. In February, the $133m purchase of 80 per cent of Publishers Paper Company, a newsprint maker, had pushed balance sheet gearing over the 70 per cent mark.

The answer was to keep the whole deal off the balance sheet, a manoeuvre for which Smurfit already had a US precedent. In 1982, the group brought out the Diamond paper and packaging interests of Sir James Goldsmith. Again, the deal was a 50/50 venture, with Clark Industries, a Chicago holding company. Clark was bought out in 1983.

"It was the same principle," says Robert Holmes, Smurfit's head of finance. "We kept the deal off the balance sheet until it was financially reasonable to take it on."

How soon it will be reasonable to take Container Corporation on is not easy to say. Smurfit's gearing is already down 10 points or so from the February level, chiefly because of a handy $40m of cash flow already generated by the Publishers Paper acquisition. But as Mr Holmes makes clear, it will be hard to maintain this pace. There was a big one-off cash flow benefit through Times Mirror newspapers, the previous owner of Publisher Paper and by far its biggest client, agreeing to pay bills weekly instead of monthly.

The latest deal is on a wholly different scale from its predecessors. The Smurfit group has sales worldwide of around $1.3bn, against Container Corporation's $1.7bn, and the combined group looks to be the biggest supplier of cardboard and cardboard boxes in the US.

Smurfit are non-committal on this. "The one thing that could stop this deal is the anti-trust angle," says Mr Holmes. "We don't want to publish market shares—it could be shooting ourselves in the foot."

The decision to go further into US paper and packaging is not purely dogmatic, as illustrated by Smurfit's failed attempt to buy the Mardon packaging group in the UK from BAT last year (it went to a management buyout for £173m).

"Paper and packaging is the business we know," Mr Holmes says. "The US has the biggest share of that business in the world. We'd love to be bigger in the UK, but opportunities just don't come up as often as in the US."

Smurfit dropped out of the Mardon auction because it felt the price was too high. On the face of it, the price being paid for Container Corporation looks at least as high, measured against its net earnings last year of just $43m.

"But the plants are very modern," says Mr Holmes. "Mobil has invested around $800m in capital expenditure over the past five years. The return on capital has been low, but we believe it's poised to take off. When we bought the Diamond International mill from James Goldsmith it was in loss, but he had just spent a lot on it, and it was profitable within nine months."

Smurfit is also optimistic about the outlook for the US industry, with prices of corrugated and linerboard recently recovering from very depressed levels. On the other hand, there is little sign of recovery in the price of woodland, of which Smurfit is buying a million acres as part of the deal.

"We didn't have the option," says Mr Holmes. "Mobil were not selling piecemeal. Certainly, timberlands are not the thing to buy at present, but it does give a guaranteed supply of 25 per cent of Container Corporation's wood requirements—and, after all, it could be a very different story over the long term."

The whole deal is, on one view, characterised by almost indecent haste. Even such acquisition addicts as Lord Hanson generally wait until gearing has subsided to reasonable levels before taking the next step.

But on the one hand, as Dermot Smurfit says, "you've got to do things when the opportunities present themselves. It wasn't our timing, but the seller's." And the deal has certainly not hurt Smurfit's image in Ireland. On Monday of this week, when details were first public, Smurfit shares jumped by close on 15 per cent, to a peak of (Ir) 256p.

Insurance broker buys into estate agencies

By Eric Short

HOGG ROBINSON GROUP has become the first major multinational insurance broker to move into the UK estate agency business. Its Travel, Transport and Financial Services Division is acquiring two estate agency operations in the Thames Valley area for £5.75m.

The agencies being acquired are Vernon and Son with 15 offices in Oxfordshire, and Howard Son & Gooch, with 16 in Berkshire, Buckinghamshire and Oxfordshire. Their main strength is in residential property, but each has a growing valuation and survey business, while Howard Son & Gooch has an expanding commercial property operation.

Consideration has been based on the projected profits for the current year—Vernon having recorded pre-tax profits of £224,000 for 1985-86 and Howard £261,000. It will be satisfied by the issue of 3.46m floating-rate unquoted £1 cumulative redeemable preference shares, with the balance in cash from Hogg Robinson's existing resources.

The group expressed its concern not to dilute the equity and did not foresee any dilution in the earnings per share for the current year to March 1987.

The acquisition depends on shareholders approving the issue of the new preference shares.

Hogg Robinson, as a major insurance broker, has a thriving financial service operation centred on its personal insurance broking expertise.

Mr Brian Perry, group deputy chairman and chief executive of the Travel, Transport and Financial Services Division, regarded the move as a natural extension of the personal financial operations.

He pointed out that the new Hogg Robinson Property Services company could offer an impartial planning service covering products connected with house buying and other contracts.

Negotiations are in progress to acquire other estate agency businesses. Mr Perry pointed out that the plan at present was to establish a major presence in Southern England only, with consideration at a later stage as to whether to have a national estate agency chain. He hoped to have at least 100 offices in the south by the end of the year.

This phased development follows the pattern adopted for Hogg Robinson's involvement in the travel business. It is in contrast to that of the other institutions which have gone straightaway for national chains of offices.

AMS to improve in second half

FIRST HALF profit of AMS Industries followed the pattern indicated, with a reduction of nearly 22 per cent. But the directors yesterday re-affirmed their confidence in the future, and also announced the acquisition for cash and shares of Calrec Audio, which will provide a further avenue for expansion.

Calrec is a privately owned electronics company, designing and manufacturing equipment for the professional audio market. AMS came to the stock market last October, and makes microprocessor based sound systems and hand held computers.

At the annual meeting in April, the directors of AMS pointed to the imbalance of profits between the two half years, and projected a 20 per cent decline for the six months ended May 31, 1986.

In the event turnover fell 24 per cent to £1.86m and operating profit by 34 per cent to £929,000. But interest received and other income rose to £202,000 (£37,000), for a pre-tax profit of £1.13m (£1.44m). Earnings were down to 2.38p (3p) per share.

The directors expressed confidence that the second half would be significantly ahead of the period now reported, and are paying an interim dividend of 0.5p net. Cash balances totalled £3.6m after funding the purchase of a factory.

Sales of hand-held computers remained buoyant, and the interest expressed in the new Audiofile range was being translated into ongoing sales and deliveries, they reported. It was intended to extend the range of traditional audio products later in the year.

Consideration for Calrec will be £1.6m, together with a profit-related bonus. It will be met as to £1.24m cash and the issue of 517,985 shares, which the vendors had promised not to dispose of prior to April next without the consent of AMS.

In the year ended January 31 1986 Calrec produced a turnover of £1.83m and a pre-tax profit of £278,000. Net assets at the year-end stood at £304,000.

The exceptional bonus element in the consideration will be payable to the current executive directors of Calrec, and will be 50 per cent of the pre-tax profit over £300,000 for the year ending January 31 1987.

● comment

AMS looks to have found good use for its almost embarrassingly large cash pile—the purchase of Calrec is being made at nine times earnings, three full points below AMS's historic multiple on a 70p share price. Further, there is every reason to expect that Calrec's management will exceed the £300,000 trigger level on the profit sharing arrangement for the year to January 1987. This will still leave the coffers containing £2.35m, as the cash element in the purchase price is only £1.25m. However, AMS's core audioprocessor business was slower in the first half and the new AudioFile range was launched too late in the period to make much impact. Shipments of the new products have now picked up and the brokers are happy to stick by forecasts of £3¼m for the year, allowing only £100,000 for one quarter from Calrec. On a prospective p/e of 9½ the shares look cheap given that the AudioFile range has a five year plus life ahead of it, according to the professionals.

SE will force Backhouse to alter Authority terms

BY MARTIN DICKSON

THE TERMS of a convertible loan stock issued to pay for the proposed takeover of Authority Investments by a group of City financiers will have to be altered because it does not comply with Stock Exchange regulations.

Mr David Backhouse and his associates in Management Group have made a £6.6m offer for Authority, an investment and property development company. Its shareholders are expected to give the green light to the deal today, when they vote on a share enfranchisement plan which is a pre-condition of the takeover.

In June £8m of convertible stock was placed by L. Messel, the stockbrokers, as part of the deal. However, it later emerged that this contravened Stock Exchange guidelines, which limits to 20 per cent of a company's equity the amount of shares that can be issued in a placing.

After a meeting with the Stock Exchange, Mr Backhouse said last night that the loan stock would have to incorporate an undertaking that no more than 20 per cent could be converted in any one year.

The problem may well prove academic, since holders of the stock are unlikely to convert until Authority's dividends exceed the coupon on the issue—which is probably some years away—and by this time Authority is likely to have increased its equity.

The Stock Exchange quotations department yesterday inquired about two other aspects of the placing. First, no shares were made available to jobbers for on-sale to the public, as is required by the rules. Some 2.5 per cent of the stock will now be offered to the market.

Second, Mr Backhouse said the exchange had asked about the 190p conversion price placed on the shares, in the light of a sharp rise in Authority's share price shortly afterwards. However, he had been able to satisfy it that this was due to the rival 500p a share tender offer for Authority launched by Berkeley House, which failed earlier this week.

Burmatex

The much stronger all round performance achieved in the second half last year by Burmatex was maintained in the opening half of the current year, and pre-tax profits advanced from £889,000 to £955,000.

The interim dividend is raised from 2p to 2.75p net, and absorbs £193,000 compared with £140,000, leaving retained profits up from £259,000 to £407,000. Stated earnings per 10p share improved from 5.7p to 8.57p.

Chloride rebel fails to win seat

DR MAURICE GILLIBRAND, a former director of research at the troubled Chloride battery company and now leader of the dissident Shareholders Action Group, failed to win election to the board at yesterday's AGM.

Dr Gillibrand, a critic of the Chloride management strategy for several years, was defeated on a show of hands by 75 votes to 24. Last year he caused a brief upset by winning election to the board on a show before being overwhelmed by proxy votes.

Sir Michael Edwardes was also re-elected as chairman by 98 votes to seven, having said he would not rely on proxy votes. Sir Michael built up the company into one of the world's biggest battery makers before moving to BL in 1977. Last December he took on the role of chief executive following the resignation of Mr Ken Hodgson in the wake of surprisingly poor interim results.

Sir Michael would make no prediction about future Chloride performance but he did say that trading had exceeded budget for the first three months of this year and added: "I would not lightly move out of the chief executive role unless I was sure that after some false starts Chloride really is back on the right track."

Stakis to purchase Plan Invest in £2.8m deal

BY ALICE RAWSTHORN

Stakis, the hotels, property and finance group, unveiled proposals yesterday to acquire the USM-quoted personal financial planning consultancy, Plan Invest, in an agreed bid which values Plan Invest at £2.8m.

Plan Invest manages personal financial portfolios and offers financial advice to individuals. In its 1985 financial year, to December 31, it produced pre-tax profits of £234,000 and accumulated net assets of £492,000.

In the first half of this year the company had unaudited pre-tax profits of £160,000.

Stakis, which is advised by the merchant bank, Schroders, has offered two of its ordinary shares for every one Plan Invest ordinary share with a cash alternative of 120p for each Plan Invest share. Stakis's shares rose by 1p to 64p on the announcement of the offer yesterday, while Plan Invest's shares soared by 18p to 123p.

The directors of Plan Invest—which is advised by Robert Wigram—have already accepted the Stakis offer. Together they hold 1.14m or 51.83 per cent of the company's issued share capital.

Once the acquisition is completed, Plan Invest will be integrated with Mannin, Stakis's Isle of Man-based financial services subsidiary. According to Mr Andros Stakis, a director of the eponymous company, Plan Invest will function as an "onshore complement" to Mannin and will form the basis of Stakis's expansion into financial services in England.

AE sale

Engineering group AE, facing a hostile £175m bid from Turner and Newall, announced yesterday that it has sold AE Engine Parts, its Canadian Distribution Company, to Ertel of Indianapolis for asset value which is about £2m.

Mr David Allday, the finance director, said that the company had become only marginally profitable on sales of about £8m. Continuity of the distribution of AE's products in Canada has been ensured through a long term supply agreement.

Sutcliffe rights

Sutcliffe Speakman, the engineering and carbon manufacturing company, which underwent a reverse takeover by Wyncourt Lehr a year ago, is raising £1.6m via a rights issue. The proceeds will be used to modernise the carbon plant at Leigh and to reduce borrowings.

Shareholders are being offered one unit for every 10 shares held, with each unit comprising one new ordinary share of 25p, one 9¼ per cent redeemable cumulative preference share of £1 and a warrant to subscribe for ordinary shares at 75p a share. The units are being offered at 145p each.

Eliza Tinsley

A fall of 13 per cent from £754,000 to £651,000 in pre-tax profits for the year to March 31 1986 was reported by Eliza Tinsley, a West Midlands' manufacturer of agricultural machinery. The final dividend is unchanged at 1.8375p net for a same-again total of 2.5375p.

Tax for the year was lower at £264,000 compared with £298,000, and stated earnings per 5p share—the company's shares are traded on the Unlisted Securities Market—were 5.47p (6.67p), after an extraordinary debit of £85,000.

Boase rights disappoints

Boase Massimi Pollitt, the advertising agency, met with a disappointing response to its £9m rights issue which closed yesterday. The agency received subscriptions for just 63 per cent of the 3.87m new ordinary shares issued.

The agency's stockbrokers, Rowe and Pitman, attributed the unenthusiastic response to the issue to dull market conditions and to the fact that the BMP rights issue followed hefty cash calls from two other advertising agencies, Saatchi and Saatchi and Wight Collins Rutherford Scott.

BMP's shares have also been depressed by steady selling from an institutional shareholder since the announcement of the issue earlier this month. When the issue was unveiled—offering two new shares at 250p for every seven shares already held—BMP's shares stood at 290p.

Comm. Bank of Wales

Pre-tax profits at Commercial Bank of Wales rose from £263,000 to £1.05m in the year to June 30 1986. Tax rose slightly from £345,000 to £368,000. After an extraordinary debit of £65,000 this time, attributable profits were static at £617,000 (£618,000).

Stated earnings per 25p share were 2.57p compared with an adjusted 2.93p.

UK COMPANY NEWS

Havelock Europa jumps 83% and confident

AN 83 per cent advance in pre-tax profit was achieved by Havelock Europa in the year ended April 18 1986. The group operates as a shop fitter and stores designer, and is traded on the USM.

Turnover rose from £8.6m to £14.3m and the profit before tax from £681,000 to £1.3m. This included £114,000 from Store Design for four weeks.

The merger with Store Design in March in exchange for the issue of 6m shares effectively doubled the size of the group, which is based in Scotland.

Mr Tom Corrigan, chairman, said the performance reflected the benefits of the increased capacity provided last year, and the group's continuing success in obtaining a share of the significantly larger contracts being awarded.

The market for shopfitting and stores refurbishment continued buoyant with most of the retail stores groups and multiples implementing or *announcing larger programmes.*

On the current year, he said it had started with a substantial volume of orders in hand, and new business obtained during the first quarter had been satisfactory.

With the prospect of continuing buoyancy in the shopfitting market, he believed the enlarged group was particularly well-placed to benefit from the opportunities available and should continue to progress in the year.

The enlarged group had some 25,000 sq ft of modern and well-equipped production facilities, and was able to offer an enhanced service, Mr Corrigan said.

In the past year, net profit came to £708,000 (£343,000) after tax £447,000 (£288,000). Earnings were 10.89p (£5.72p) and the final dividend is 2.88p on the increased capital for a net total of 4p (2.3p). The cost is £413,000 (£138,000).

D J Security profit ahead in first half

D J Security Alarms, the Manchester-based USM company, improved its pre-tax profits from £85,000 to £105,000 in the half-year to April 30 1986 on turnover up from £519,000 to £740,000. The interim dividend is unchanged at 0.65p—last year's total was 1.5p from pre-tax profits of £210,000.

The directors said that during *the first half, the company had* continued to invest in growth prospects, particularly in telecommunications installations and maintenance.

They added that BSI approval had been obtained to act as an authorised maintainer of certain types of telecommunications equipment, and the company's investment in that had been enhanced by acquisitions of a long-established communications company, Delta Communications.

Recent changes in the fiscal legislation had caused an increase in the amount of tax payable—up from £12,000 to £32,000—and that had resulted in a small reduction in earnings per 10p share which were down from 6.08p to 5.95p undiluted, and from 1.83p to 1.79p fully diluted.

The increase in turnover and profits before tax were a direct result of the investment made in new branches, all of which were trading profitably, said the directors.

The company looked forward to further growth in the second half, and contributing to the effects of the growth would be the results from the new Liverpool and Stoke branches, and the established Leeds branch.

Radius expands 30% midway

Radius, Hull-based computer systems company which joined the USM in October last year, has announced a 30 per cent rise in pretax profits for the six months to May 31, 1986.

On turnover ahead from £3.3m to £3.6m, the pre-tax result came out at £681,000, against £524,000. For the year ending November 1985 the group achieved £991,000.

The directors have declared an interim dividend of 1p, to be paid from earnings per 5p share of 4.6p (3.5p). For 1985 a total of 0.44p was paid.

Mr Edward Sharp, the chairman, said the directors were confident of maintaining progress into the second half of the year. The group was actively planning for a further uplift in 1987, he added, when its computer systems solutions and services offered would be extended to cover the new generation of standardised hardware systems.

Commenting on the interim results the chairman said that the market for the group's services had continued to be buoyant. The trend to higher margin value-added activities had continued with particular progress in the areas of software and *maintenance services.*

Cash liquidity continued to increase in the period, Mr Sharp said, and the group was well positioned should further acquisition opportunities arise.

After tax of £228,000 (£227,000) attributable profits amouted to £453,000 (£297,000).

Blue Circle SA down 26%

THE CONTINUING depression in South African construction hit Blue Circle Ltd, the 42 per cent owned South African associate of Blue Circle Industries. *In the half-year* to end-June 1986 pre-tax profits were down by 26 per cent from R5.634m for seven months to R4.16m (£585,000 at the financial exchange rate) on turnover of R146m against R151m.

After tax of R663,000 (R739,000) and minorities of R110,000 (R109,000) attributable income came out at R3.39m (£4.79m). Directors said that although the figure was down it was a marked improvement on the second half of the previous year.

No dividend is being paid, against 11 cents last time, following the passing of last year's final but consideration will be given to a final this time.

FT COMMERCIAL LAW REPORTS

Sellers not liable for river delay

R. PAGNAN & FRATELLI v. FINAGRAIN COMPAGNIE COMMERCIALE AGRICOLE ET FINANCIERE SA

Queen's Bench Division (Commercial Court) Mr Justice Staughton: June 19 1986

WHERE A contract for the sale of cargo provides that loading time is to count as per the terms of a standard charterparty, the incorporated terms include provisions as to when time ceases to count as well as when it is to start; and the sellers therefore cannot be made liable for delay caused by river congestion if the incorporated terms provide that time is to cease for obstructions beyond the charterers' control and that no demurrage shall be claimed in respect of the delay.

Mr Justice Staughton so held when allowing an appeal by sellers, R. Pagnan & Fratelli, from an award of the Board of Appeal of the Grain and Feed Trade Association (Gafta), that they were liable to pay demurrage to the buyers, Finagrain Compagnie Commerciale Agricole et Financiere SA.

HIS LORDSHIP said that on January 17 1978 the sellers agreed to sell 25,000 metric tons of Argentine flint maize to the buyers, for shipment in April 1978. Shipment was to be as to two-thirds from one upriver port not above San Lorenzo, and as to one-third from Buenos Aires.

The contract provided that the general conditions were to be those of Gafta form 64, but that loading time was to count "as per Centrocon charterparty ... WIPON [whether in port or not]."

The sellers did not intend to ship the goods. Nor did the buyers intend to receive them. They agreed to sell a much larger quantity to V/O Exportkhleb of Moscow for shipment between March and July 1978, by a contract which provided that at loading sellers would pay demurrage "as per charterparty rate."

The charterparty referred to was between V/O Sovfracht as time-charter owners, and V/O Exportkhleb as charterers. It included clause 13 of the Centrocon form which provided that time for loading was to commence 12 hours after notice of readiness was given; and clause 30 which provided that if the cargo could not be loaded "by reason of a strike ... or ... obstructions ... beyond the control of the charterers ... time for loading shall not count ... no claim for demurrage shall be made ..."

The buyers nominated the Adolf Leonhardt, and the sellers nominated Rosario as the upriver port for loading the two-thirds quantity.

On April 15 the vessel arrived at Intersection in the River Plate, which was the intersection of the Rivers Parana and Uruguay.

The ship's agents informed the buyers that she had anchored at Intersection due to heavy congestion of upriver ports. Notice of readiness was given.

The Gafta Board of Appeal found that at *Intersection* the vessel had 200 miles to go upriver to reach Rosario; that congestion was endemic to the River Parana; and that Intersection was a recognised waiting port. As the contract specifically provided for time to count "whether in port or not," the board found that the notice of readiness given by the ship at Intersection was a good notice of readiness under the contract.

The vessel waited at Intersection for some time then, on May 2, she arrived and anchored at Rosario. Loading was completed on May 24. On May 25 she arrived at Buenos Aires *roads. She completed loading* on July 1.

The buyers said that the time for loading was exceeded by 50 days and that they were entitled to demurrage. Their net claim was $45,853.

The arbitrators and the Board of Appeal allowed the claim in full.

The sellers said they were not liable to the buyers in respect of some of the periods of waiting. They argued *inter alia* that the strike clause of the Centrocon charter party exempted sellers from liability for demurrage, since the cargo could not be loaded by reason of "obstructions" beyond their control.

The relevant words of incorporation in the sale contract were "time to count as per Centrocon charterparty." The main point was whether "time to count" referred only to commencement of laytime, or also to those provisions in the Centrocon form which determined when time should cease to count.

"Time to count as per Centrocon charterparty" referred to all the provisions of the Centrocon form as to when time should and should not count, including clause 30 which was the material clause.

The Board of Appeal reached the opposite conclusion for two reasons. First they considered that the strike clause in Gafta Form 64 was the proper clause.

That clause was concerned with the obligation to ship the goods during the period provided by the contract. It did not touch on the question who should bear the risk if a ship nominated by the buyers to load was delayed. It had no bearing on the present issue.

The board's second reason was that the River Plate and River Parana were notoriously subject to congestion and it was unable to accept that any shipowner would agree to the Centrocon strike clause being applied to laytime for loading two-thirds one river port and one-third Buenos Aires.

However, Sovfracht and Exportkhleb did in fact agree to a charterparty containing the Centrocon strike clause. That charterparty was agreed to be the instrument regulating liability for demurrage between Exportkhleb and the buyers.

As between the buyers and sellers that liability was not placed on the sellers.

Once clause 30 of the Centrocon charter was held to be incorporated there was little room for argument. *NV Reederij Amsterdam v President of India [1961] 2 Lloyd's Rep 1* held that "obstructions" in the clause included congestion in a port which prevented the ship from obtaining a berth.

Mr Hallgarten, for the buyers, sought to distinguish that case in that there was an express finding that congestion at New Orleans was neither normal nor usual; whereas congestion in River Parana was endemic and notorious.

That made no difference. "Obstructions" was no less apt to cover ordinary congestion than extraordinary congestion.

Accordingly, the sellers were not liable for demurrage.

Another issue was whether notice of readiness could be given at Intersection.

The effect of "WIPON" was to avoid in part the rule that a vessel must have arrived at the port before laytime could commence. But how near to the port must the vessel be when notice of readiness was given?

Mr Johnson submitted that notice could be given at Rosario roads but no earlier. Mr Hallgarten said the vessel must reach *a* usual waiting area for the port in question.

It was not unlikely that use of "WIPON" might have been directed at ports with no waiting area. In point of geographical proximity, therefore, Mr Hallgarten's solution was preferable.

Besides geographical proximity, there was an additional requirement that the vessel should be at the immediate and effective disposition of the charterers.

In *El Oldenorff v Tradax [1974] AC 479* Lord Diplock said that "distance from the actual berth becomes of less importance as steam and diesel replaces sail and instantaneous radio communication is available. . . ."

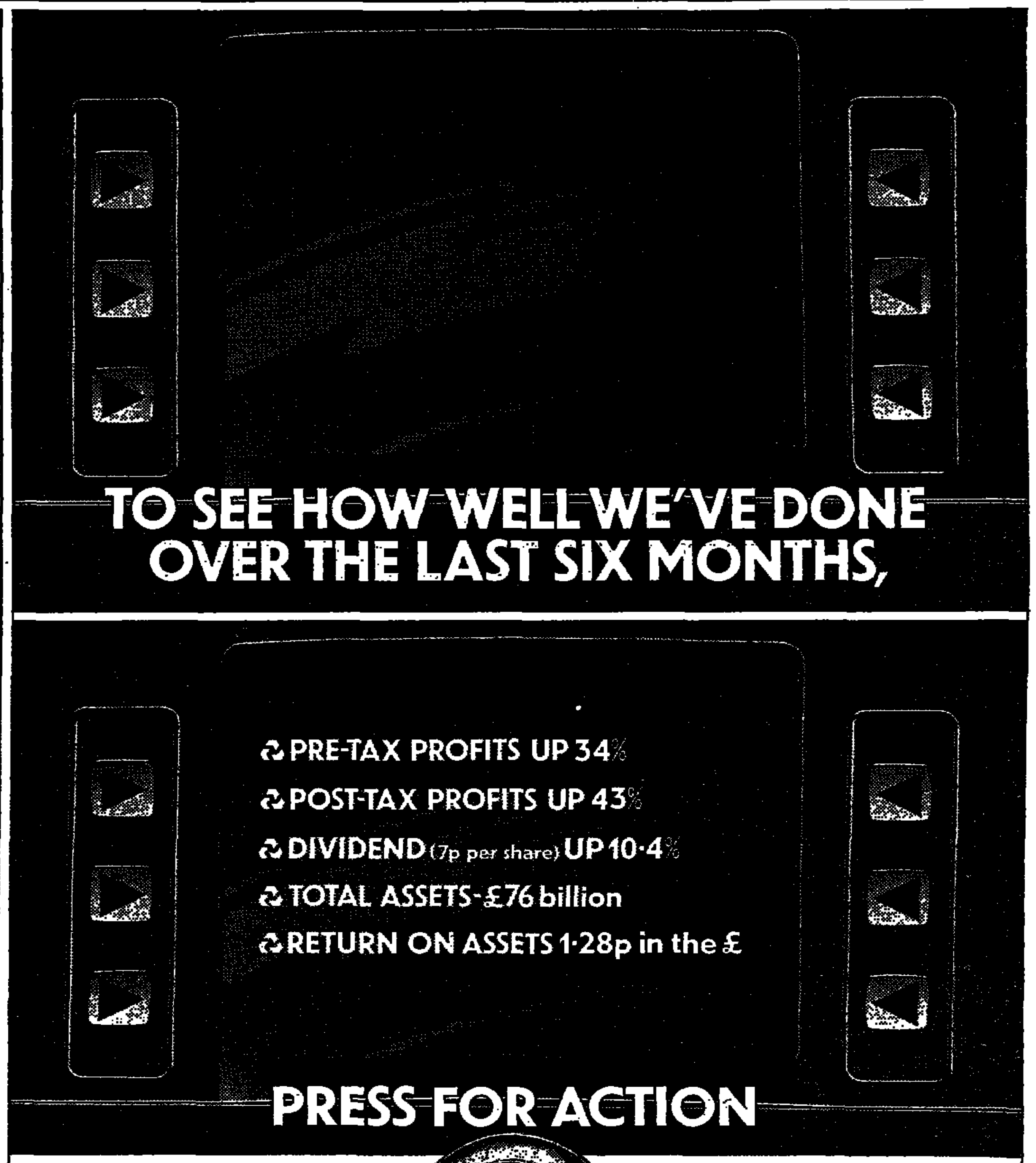
A vessel was as effectively at the disposition of the charterers at Intersection as modern conditions demanded, given that she was not required to be in Rosario by reason of "WIPON."

Had it been necessary to decide the point, the court would have upheld the Board's conclusion that notice of readiness could be given at Intersection.

For the sellers: David Johnson QC and Martin Moore-Bick (Middleton Potts & Co).

For the buyers: Anthony Hall garten, QC and Martin White (Lovell White & King).

By Rachel Davies
Barrister



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MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Crisis management

How the unimaginable can become a reality

BY CHARLES BATCHELOR

FOR UNION CARBIDE, the US chemicals giant, it began in December 1984 when a build-up of pressure caused a leak of deadly methyl isocyanate into the air of Bhopal, India, killing 2,000 people and injuring tens of thousands more.

For Heineken, the Dutch brewing concern, it started in November 1983 when a masked gang seized Freddie Heineken, the company chairman, together with his chauffeur, from outside the group's canalside headquarters and raced off into the Amsterdam traffic.

For Gulf Oil the signal was "a sound like a creaking door in a horror movie" as the *Betelgeuse, an oil tanker owned* by Total, the French company, broke its back one wintry night in 1979 at Gulf's Bantry Bay terminal in the south-west of the Irish Republic, sparking an explosion that killed 50 people.

The managements of these *three companies all experienced* a sudden crisis of such magnitude that their standard business training and routine business procedures were ill-equipped to cope. More and more managements have to deal with acute commercial and *often moral dilemmas which* stretch them to the limit. A crisis can often paralyse them.

"We went into one company 12 hours after an incident," says Christopher Grose, a director of Control Risks, which advises companies on the threat of kidnap and extortion. "The board had not left the boardroom. They were exhausted but had not taken a single decision. They did not know what questions to consider."

Many companies have not considered how prepared they are. "You would never anticipate in your wildest dreams what happened over there [Bhopal]," says Ronald Wishart, vice president of public affairs at Union Carbide. "Before Bhopal, if one person died in an accident it was considered a great tragedy. I don't care what you could have done, you would not have been prepared for it."

Crises may occur suddenly—in the form of a hostile takeover bid—or cumulatively—like the growing public concern about the dangers of asbestos which pushed many companies in the industry to the brink of bankruptcy. The consequences can be serious and lasting.

Union Carbide not only faced international moral censure for its failure to prevent the Bhopal tragedy. Its share price slumped; it was downgraded by the US credit rating agencies; it took hundreds *of millions of* dollars of writedowns and was forced to sell large parts of its business to escape a hostile takeover bid—prompted by its difficulties—from GAF Corporation. It still faces legal claims for damages running into *billions of dollars.*

A growing awareness of the risks facing companies has spawned a minor industry in the shape of crisis management consultants. Whatever the crisis, they claim, it can be planned for and its impact reduced.

Though many industries—such as chemicals, oil and gas power generation and the airlines—are encompassed by a web of safety legislation most companies would be unprepared if disaster struck.

"The majority of companies is badly prepared," comments Huw Thomas, a consultant. "Companies pay me to draw up far-fetched scenarios of what might happen. Some of them, awfully, amazingly, do come up."

A recent survey* of the chief executives of the Fortune 500 companies showed that while 89 per cent of those who responded agreed a crisis was inevitable, a full 50 per cent admitted they had no plan for dealing with it.

Of those companies which had had a crisis in the past, 42 per cent still did not have a plan in the event of another one striking. Despite this lack of preparedness, no fewer than 97 per cent felt confident they could respond well.

So what should a company do to prepare for the worst? Its response will depend on the industry in which it is involved but some general themes have emerged from the experiences of recent years.

● **Risk assessment.** Airlines must clearly take into account the possibility of an aircraft crashing or being hi-jacked; oil companies face the prospect of a blow-out, a fire or a strike putting a North Sea oil rig out of action; pharmaceutical and food groups run the risk of deliberate or accidentail product contamination.

Even companies with a low corporate profile or a benign public image in their home country must take account of the possibility of terrorist attack abroad.

"Companies should review the situation every year to catch newly-developing problems," says one consultant.

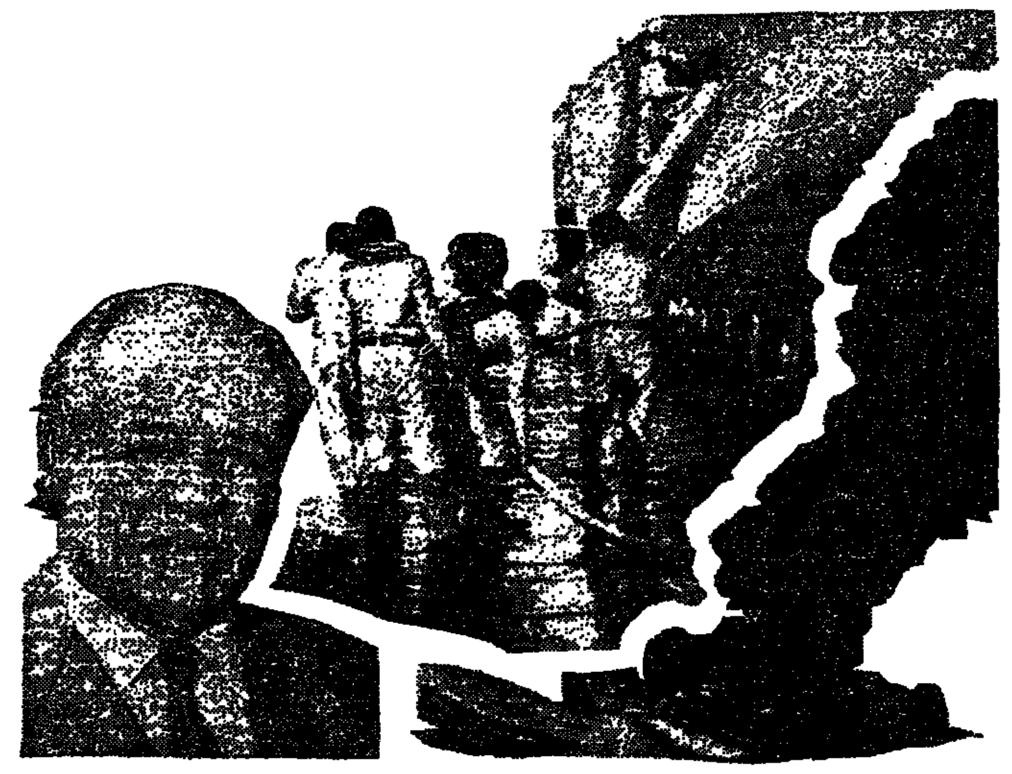
● **The corporate philosophy or ethic.** An apparent luxury in good times, this can help many companies through a crisis. The handling of the situation by Johnson & Johnson, the US drugs group, when its Tylenol painkiller capsules were poisoned in 1982, is widely regarded as a successful example of crisis management.

"The company's basic philosophy was that its first responsibility was to its customers, secondly to its employees, thirdly to the environment and fourthly to its stockholders," says James Murray, assistant director of public relations.

"We took the view if we took care of the first three, the stockholder would be well cared for."

Johnson took the decision to remove Tylenol from sale throughout the US at a cost of $100m despite the fact that the poisoned capsules had only been found in Chicago. The widespread public perception that the company had acted *ethically led to it regaining* most of the market share it lost (though Tylenol capsules have since been withdrawn following a second poisoning scare).

● **The quick response.** British Airways handles major emergencies such as an aircraft crash or hijacking through a special emergency centre in the basement of its operations headquarters at Heathrow. The duty operations manager calls in 25 "primary contacts"—staff members with the necessary skills and training—if an incident is reported.



Three incidents of corporate crisis: Freddie Heineken, chairman of the brewing group, who was kidnapped; the leak of poisonous gas at Union Carbide's plant at Bhopal, India; and Gulf Oil's Bantry Bay terminal; where a tanker exploded

If all goes according to plan the operations room team and an information team equipped to deal with inquiries from the press and public should be in place within an hour.

"There is no doubt that a well-co-ordinated response has a direct impact on the survival rate," maintains Bob Macdonald, BA's manager of operational contingencies. "A well-handled incident also reassures the public of the integrity of the overall operation."

Few companies have the need *or the facilities for such* an extensive organisation for crisis management but the basic principles can be applied.

"The first thing you need to know is who has to make the decisions," says Howard Abbott, of Product Safety, a specialist *consultancy.*

● **Responsibility.** In a crisis attention tends to focus on the man at the top — the chairman or chief executive. However, the experts warn against his getting too involved in the details of the emergency at the expense of overall strategy.

"You don't want all your top management deeply embroiled in handling the crisis," says Grose. "They might think it will only last 15 days but they don't want to realise after 60 days that they cannot solve it. You want an organisation which will last the course."

The day after news of the Bhopal tragedy reached Union Carbide's headquarters, Warren Anderson, the 63-year-old chairman and chief executive ignored the text books and flew to India —and was promptly, if briefly, placed under house arrest.

It was not until 10 days after the accident, by which time Anderson had returned to the US, that Union Carbide formalised its crisis management objectives and put together a team.

● **Communications.** A company *must rapidly* control the flow of news and be ready for the attentions of the public, the press and the authorities.

"Don't speculate in the early stages but do establish yourself as the sole authoritative source of information," says Michael Regester, of consultants Traverse-Healy and Regester. "The media will go to other sources of information if the company doesn't provide it."

● **Rehearsal.** Regular practice of mock crises is essential to train staff, the experts say.

● **The stress.** Even the most thorough training programmes cannot prepare managers or junior staff for the stress of a crisis. Staff should be given frequent breaks during an incident in the hope that they stay fresh.

"Solidarity is easy to maintain in the early days of a kidnapping but if a crisis lasts for months solidarity breaks down," says Grose. "There are conflicting interests within the company and the victims' family, the police and other companies operating in the country will ring up to say what they think. The company is besieged and its only friend seems to be the kidnappers."

Corporate life may already appear to be surrounded by enough threats. In the view of many of the consultants it can only get worse.

Growing unrest in South Africa and the increasingly violent animal rights movement are threats many companies are starting to take very seriously. The recent spate of product tamperings has coincided with a move to tougher EEC *rules on product liability.*

"Company reputations are hard-won through many years of careful policy-making and heavy investment in communications programmes," says Regester. "The mismanagement of a crisis can destroy that reputation in a matter of days, even hours."

* *Included in "Crisis Management, Planning for the Inevitable" by Steven Fink, published by the American Management Association, New York, $17.95.*

Motivation

Challenges for older managers

Laurie Ludwick explains why a career plateau need not be the end of the line

TOO OFTEN, an older manager with a wealth of knowledge and expertise spends his last 15 years with a company feeling uncommitted, frustrated, and possibly bitter. The problem is not an uncommon one. With the doors to advancement closed in *front* of him, the turned-off company-man becomes a wasted resource, just going through the motions.

But instead of regarding the plateaued manager as a pariah to eliminate, top executives can use the older employee in a constructive way, by encouraging his or her participation in the training and coaching of younger professionals. The experienced *executive* will benefit from a renewed sense of importance, the younger generation from his or her wisdom and advice.

The challenge is the crucial factor, according to Harvard academics Jay W. Lorsch and *Haruo Takagi, who* argue that reaching a plateau does not have to mean retiring on the job. Indeed, by searching for innovative ways to enable experienced managers to make a real contribution to the organisation, senior management will help them satisfy important psychological needs.

Most plateaued managers are long-term employees who will occupy the same position for the last 10 to 20 years of their careers. These long-service managers may form those cores of organisations that produce the day-to-day results. Therefore, keeping them motivated and challenged will not only improve their own production, but will inspire others around them.

According to the Harvard academics, by the time a manager reaches his forties or fifties, he will have accepted the idea that further advancement in the company is unlikely. The challenge in their career will become their current work, and the most satisfying work will *focus on the skills and expertise* they have developed throughout their careers.

In addition, Tagaki and Lorsch assert, after a plateaued manager has spent 15 challenging "mainstream" years in an organisation, he will identify with the company, and care about the development of its next generation of professionals and managers. The most logical step—which *will* make the senior employee feel necessary to the future of the company—is to have them serve as teachers and coaches of their juniors.

The Harvard academics identify two types of plateaued manager. The committed, enthusiastic manager who, from the very earliest stages of his career, has had challenging job assignments. They have been satisfying both in terms of their work and their relationships, because they were at the heart of the organisation.

Enthusiastic

The passive manager, on the other hand, is uninterested in his job, although not necessarily dissatisfied. *From the beginning of his career, he* worked on the smaller projects, and developed feelings of envy and self-confidence. While the passive manager may not be any less competent than his enthusiastic counterpart, his lack of motivation and interest can affect not only his *own* abilities, but the attitudes of those around him.

For both the passive and committed manager, say the Harvard academics, an involvement in the decision-making process is important in making their work more challenging. This can work in two ways. First, by giving them as much autonomy as possible in carrying out their responsibilities, the senior employees will feel their accumulated experience and knowledge is really being put to use. Second, executives should look for ways to use managers' skills outside of their own sphere of responsibility in a task force or committee, for example. Their experience and wisdom may be useful and the new position will build their feeling of commitment to the company.

Keeping Managers off the Shelf, HBR, July-August 1986.

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LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§125	F.P.	24/7	168	136	✤Accord Publications 5p	167	−1	Rd3.1	2.6	2.6	21.2
‖‖	F.P.	15/8	127	108	✤Airsprung Group 10p	112	......	5.4	2.8	6.8	7.4
§115	F.P.	22/8	141	128	✤Anglia Sec. Homes 10p	134	......	R1.63	5.0	1.7	16.5
115	F.P.	11/7	190	155	Arlington Sec. 10p	173	......	b1.7	4.3	1.4	23.7
§115	F.P.	—	125	120	✤Atlas Conv'ting Eqp 5p	123	−2	R4.9	2.3	5.6	11.1
§67	F.P.	8/8	71	68	✤BBB Design Grp 5p	70	......	L1.0	4.2	2.0	16.8
‖‖	F.P.	—	286	280	BTR Nylex A$0.50	286	+6	Q15c	2.7	2.2	16.5
§145	F.P.	15/8	158	145	✤Beaverco 5p	150	......	u5.0	2.4	4.7	11.9
‖‖	F.P.	—	55	41	Bertrams Inv. Tst	43	......	—	—	—	—
§37½	F.P.	25/7	43½	38	✤Bipel 5p	42	......	R1.23	3.1	4.1	10.5
125	F.P.	8/8	147	128	✤Borland Intl. Inc	147	+4	uQ2c	1.4	0.9	20.6
§63	F.P.	6/8	69	61½	✤Camotech 10p	66	......	R2.0	2.4	4.3	13.5
§110	F.P.	18/7	115	85	✤C'bell & Armstrong 5p	98	......	u3.91	1.9	5.6	12.5
§125	F.P.	7/8	135	129	✤Chelsea Man 5p	129	......	L2.2	2.8	2.4	21.2
‖‖	F.P.	18/7	110	85	Clarkson (Horace)	100	+2	L4.75	1.5	6.7	13.7
¶¶	F.P.	—	100	57	Clayform Warrants	57	−3	—	—	—	—
§84	F.P.	1/8	91	84	✤Coated Electrodes 5p	90	......	u3.9	1.6	6.1	14.0
237	100	—	110	90	Dee Corp.	90	−5	5.8	1.9	3.7	17.6
§70	F.P.	22/8	74	71	✤Fletcher Den'ys S. 5p	73	......	L2.5	1.9	4.8	15.5
210	F.P.	—	200	191	G. T. Management 1p	200	......	R3.0	3.4	2.1	16.8
150	F.P.	25/7	156	150	Guthrie Corp	152	−2	u6.3	2.2	4.9	9.7
150	F.P.	15/8	161	156	Harrison Inds. 10p	156	......	g5.0	2.7	4.5	11.7
§92	F.P.	28/8	95	87	✤Hille Ergonom 10p	95	......	L2.0	3.1	3.0	13.1
§85	F.P.	24/7	117	90	✤Hodgson Hldgs 5p	110	......	R2.13	2.3	2.7	20.0
§20	F.P.	15/8	25	21½	✤Hughes Food 5p	24	......	R0.5	2.8	2.9	17.3
—	F.P.	—	£37	£36	JF Pacific Warrant S.A.	£37	......	—	—	—	—
R30	Nil	—	325	180	Joel (H.J.) Ltd Units	180	......	—	—	—	—
§154	F.P.	13/8	159	157	Kleinwort Dev. Fnd	157	−1	—	—	—	—
100	F.P.	15/8	90	85	✤M6 Cash & Carry	88	......	u3.55	2.1	5.7	9.8
¶500	F.P.	29/8	516	427	Morgan Grenfell £1	427	−8	L8.5	—	2.8	—
§120	F.P.	29/8	120	112	✤Per. Computers 5p	112	......	R3.0	3.3	3.8	11.4
§113	F.P.	29/8	114	112	St. David's Inv. Tst. Inc.	112	......	H6.8	—	8.6	—
§75	F.P.	29/8	77	75	Do Cap.	75	......	—	—	—	—
§72	F.P.	15/8	160	99	✤Shield Group 5p	125	......	L2.0	3.1	2.3	18.2
§165	F.P.	1/8	184	160	✤Smallbone 10p	160	......	u5.0	2.1	4.4	14.9
—	F.P.	—	55	43	Smith Newcourt War'ts	52	+2	—	—	—	—
§40	F.P.	31/7	42	35	✤Soundtracs 5p	37	−1	61.2	2.8	4.6	11.0
§98	F.P.	6/8	106	98	✤Space Planning 10p	100	......	R1.8	3.4	2.5	16.3
§110	F.P.	28/8	125	119	Stanley Leisure	124	......	u3.25	2.8	3.7	13.7
130	F.P.	21/8	145	135	✤TV-am 10p	145	+½	R5.75	2.6	5.6	9.7
§95	F.P.	25/7	114	104	✤Task Force 5p	108	−8	R1.78	3.8	2.3	16.0
112	F.P.	8/8	130	116	Tenby 50p	129	......	u4.0	2.6	4.4	10.0
190	F.P.	1/8	242	219	Thames TV	222	......	49.5	1.9	6.0	12.5
120	F.P.	6/8	130	100	Tibbet & Britten 5p	125	......	R3.5	2.6	3.9	14.0
§63	F.P.	22/8	68	66	Unilock 20p	67	......	1.98	2.7	4.2	12.7
††	F.P.	—	100	95	Welsh Ind. Inv. Tst. 5p	100	......	—	—	—	—
106	F.P.	22/8	112	110	Windsmoor 5p	112	......	u3.25	2.3	4.1	15.1

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
§97.947	£25	17/9	27¼	25⅛	Bankers Inv. Tst. 10½% Deb. 2016	26	+½
§99.256	£30	29/8	30¼	26¼	Brit. Alcan Aluminum 10¼% Deb. 2011	27	+¼
§94.203	£25	31/10	25¼	22¼	Brixton Est. 9.5% 1st Mort Deb 2026	23	+¼
§100p	F.P.	15/8	107p	105p	Business Mortages Tst. 8.6%Cum Prf.	106p	......
109.89	£40	29/8	40	36½	Estates & Gen. 11¼% 1st Deb. 2018	36¼	+¼
§94.45	£30	31/10	32⅛	28	European Inv. Bank 9%Ln 2001	28⅛	+¼
‖	F.P.	29/8	115p	102p	✤Fergebrook 12% Cnv Uns Ln 1992-97	110p	−5
96.114	£25	24/10	27¾	24¼	Globe Inv 10% Deb. 2016	25¼	+½
§99.054	£40	12/9	41⅝	39⅛	Govett Strat.Inv.Tst.10¾% Deb. 2016	39¾	+⅝
97.963	£25	24/10	25¾	19	Gt. Portland 9½% 1st. Mort. Deb. 2016	19½	+½
—	—	—	29	28¼	JF Pacific Warrant S. A. Pref.	28¾	−¼
105.523	£25	21/8	26	18	Land Securities 10% 1st. Mort. Deb.25	18¼	+¼
§99.793	£25	24/9	24⅝	20¼	Lon. Shop Prop. 10% 1st. Mort. Deb. 2026	21	+¼
¶¶	F.P.	—	101	95	Mercury Intl. 7⅞% Cum Pref.	95	......
‖‖	F.P.	—	136p	136p	Morgan Grenfell 11¼% Cum Prf.	136p	......
—	F.P.	—	100	99	Nationwide 9⅞% 6/7/87	99⅝	......
—	F.P.	—	100¼	99¾	Do. 10⅛% 27/7/87	99⅞	......
§99.937	£25	24/10	25⅛	23⅞	Do 3¾% IL Ln. 2021	24	+⅛
¶100	£10	3/9	9	8	Newcastle & Gate. Wtr. 7% Red. Prf. 94/6	8	......
**	F.P.	—	106	104	Rea Bros. 8.6% Cnv Prf	106	+2
§105	£50	10/10	46	43	Smith New Court 12pc Uns. Ln. 2001‡‡	43¼	+¼
—	F.P.	—	110	107	Wight C'ns Cv. Cm. Rd. Prf. 1999 10p	109	+1
100	£50	13/9	50¼	46	Witan Inv. 8½% Deb 2016	46¼	+¼

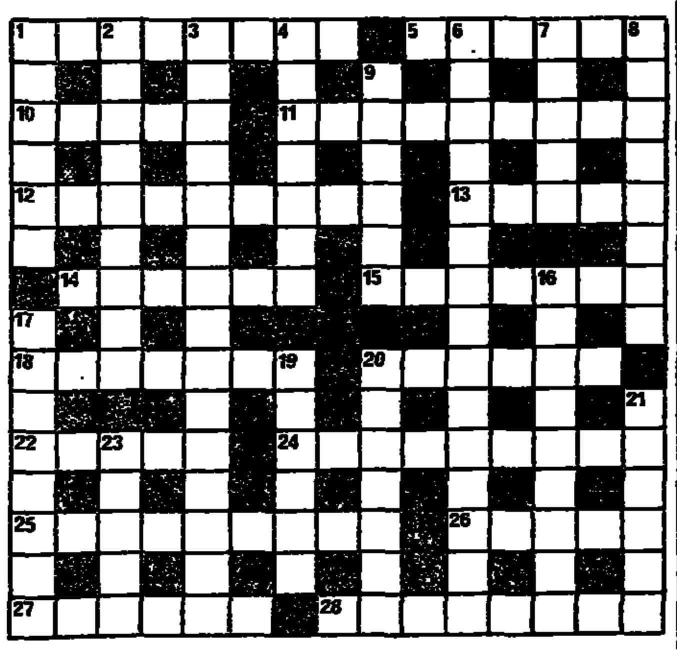
"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
49	Nil	29/8	36pm	17pm	Abaco Invs. 5p	17pm	......
12	Nil	—	1¼pm	1pm	Barker & Dobson 1p	1¼pm	......
250	F.P.	12/9	280	243	Boase Massimi Politti 12½p	250	+7
170	Nil	2/9	23pm	16pm	Coloroll 10p.	20pm	−1
145	Nil	20/8	40pm	27pm	Dataserv. Inc. 5c.	27pm	−3
130	F.P.	14/8	146	132	Erskine House	138	+6
165	Nil	28/8	20pm	4pm	Expamet Intl.	4pm	−1
5	Nil	—	13½pm	12pm	✤Hobson 5p	13½pm	......
215	F.P.	15/8	278	225	Intl. Signal & Control 10c	225	−2
330	Nil	26/9	77pm	77pm	London United 20p.	77pm	......
200	Nil	29/8	23pm	10pm	✤Meadow Farm Prod. 10p	23pm	+3
120	Nil	19/9	23pm	17pm	Medminster 10p	23pm	......
£14	Nil	12/9	245pm	220pm	Priest Marians £1	245pm	+5
44	Nil	28/8	6pm	2½pm	✤Sheraton Secs. 10p	3pm	+½
125	Nil	24/9	15pm	11pm	✤Tod 5p	15pm	+4
90	Nil	17/9	2½pm	1pm	Top Value Inds. 10p	2pm	......
38	Nil	28/8	2½pm	¼pm	✤Yelverton Invs. 5p	¼pm	−½
41	Nil	29/8	35pm	22pm	✤York Mount	22pm	......

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ✤ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

F.T. CROSSWORD PUZZLE No. 6086

DINMUTZ



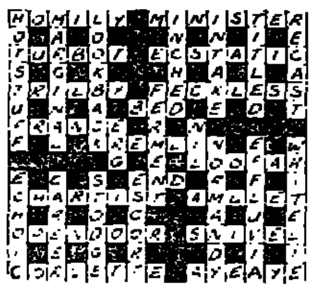
ACROSS

1 Players join club that is rigid (4, 4)
5 Boulevard as a meeting-place (6)
10 How gold-prospector tricks sailors? (5)
11 Stock-farm is in iron grip of commercial concession (9)
12 *Petruchio's ambition*, we hear, to bandy words (9)
13 Sound of uncertainty after lines in Greek theatre (5)
14 Misted over when photographed (6)
15 Dog-star? (7)
18 Bone coming from Munster? (7)
20 Gold sent out for a novelist (6)
22 A shoe repair for a book-profit, say (5)
24 Swear word of Greeks? (9)
25 Dawdling spells death to political compact (9)
26 Cricket, perhaps, drops catch a bit inside boundary (5)
27 *Looseness of ordinary people accepting kiss* (6)
28 Red plans altered for surface between arches (8)

DOWN

1 This quarter of Tangier has *money* to take in bachelor (6)
2 Ring for Patience? (9)
3 Ellington, for instance, made Main St turnstile go round! (15)
4 Poor deal—and so casual (7)
6 Plum position for a railwayman? (8, 7)
7 *Rumour of racket* (5)
8 Raven's cry does not begin, always (8)
9 Begin studies to give flying-lessons (4, 2)
16 Speculator is one getting up to go to the ring (10)
17 Lily's old shape remodelled (8)
19 Main strike called by a Christian? (6)
20 And French prawn-cocktail in Belgian province! (7)
21 Scram!—atoll holds this explosive mixture (6)
23 Willow produces 50 and a six (5)

SOLUTION TO PUZZLE No. 6,085



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

AUTHORISED UNIT TRUSTS & INSURANCES

Wardley Unit Trust Managers Ltd (a)
Wardley House, 7 Devonshire Sq, EC2 01-929 1532

American Tst.	63.6	68.4	-1.0	1.7
Far East & Gn. Tst.	104.6	111.3	-1.3	0.9
Intl. Growth Tst.	68.6	73.0	-0.6	0.7
Income Tst.	82.5	88.7	-0.4	5.6
Japan Growth Tst	126.17	136.3	-1.9	0.2
Small Cos. Tst.	108.8	117.0	-0.8	2.0
Tchnlgy Tst.	33.3	35.8	-0.2	0.2
Australia Trust	35.0	37.6	-0.1	2.1
UK Trust	126.4	134.5	-0.3	2.7
European Growth Tst	51.2	54.5	+0.1	1.1
Hong Kong Tst	23.0	24.5	.....	1.6

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	15.9	17.0	+0.3	0.15
Pacific Basin	13.0	13.8	-0.2	0.2
Canadian Balncd Grwth	56.5	60.4	-0.7	0.98
Gimlo Mae	100.6	105.7	+0.5	7.3

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smllr Co's (z)	54.2	57.8	+0.4	1.50
British Growth (z)	63.8	67.7	+0.1	2.00
British Income (z)	64.3	66.1	+0.1	5.00
British Extra Yield(z)	50.5	51.9	-0.3	7.00

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67.5	68.6	—	0.00
U.S. Gvmnt Bond F	50.505	0.508	—	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Capital & Equity Tst	47.2	50.3	-0.3	7.89
Growth Trust	49.7	52.9	-0.3	2.31
Income Trust	52.2	55.0	-0.1	5.27

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Cannon Assurance Ltd—Continued

Index	110.4	116.8	-0.3	—
Far East	181.6	192.2	+1.6	—
Global	95.6	101.2	+0.4	—
European	98.3	104.0	+0.7	—
Japan	112.3	118.8	+1.6	—
2nd Series Pension Accumulation				
Equity	474.9	502.9	+0.7	—
High Income	313.4	331.6	+0.3	—
Property	281.1	297.5	.....	—
Managed	334.7	354.2	-0.8	—
Deposit	250.7	265.3	.....	—
Gilt	252.3	267.0	-1.7	—
American	380.0	403.2	-7.1	—
International Money	275.2	291.2	+4.0	—
Index	120.7	127.7	-0.3	—
Far East	197.6	209.1	+2.1	—
Global	95.8	101.4	+0.3	—
European	99.3	105.1	+1.0	—
Japan	116.9	123.7	+2.0	—
Other Funds				
Equity Units		64.60	+0.12	—
Property Units		21.33	.....	—
Equity Bond/Exec	40.42	42.77	+0.6	—
Property Bond/Exec	28.77	30.44	.....	—
Balanced Bond/Exec	33.12	35.05	-0.14	—
L&E SIF 1	108.5	115.0	.....	—
L&E SIF 2	71.0	75.0	-0.5	—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	100.0	106.0	.....	—
Risk & Reward Bond	117.0	124.0	.....	—
Murray Johnstone Fd	116.0	123.0	.....	—
Money Market Fd	100.0	106.0	.....	—
Ivory & Sime Pens Fd	96.0	102.0	.....	—
Risk & Reward Pens Fd	99.0	105.0	.....	—
Murray J'stone Pens Fd	114.0	120.0	.....	—
Money Market Pens Fd	100.0	106.0	.....	—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2LA Tel: 0908 606101/660888

Current Series				
Property Fund	113.9	119.9	.....	—
Money Fund	220.0	231.6	.....	—
Managed Fund	402.7	423.9	-2.6	—

INSURANCES

[illegible]

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

INSURANCE, OVERSEAS & MONEY FUNDS

Money Market Trust Funds

Money Market Bank Accounts

Royal Bank of Scotland plc
42 St Andrew Sq, Edinburgh EH2 2YE. 031-557 0201
Premium Account ....9.50 7.10 10.27 Qtr

Save & Prosper/Robert Fleming
28 Western Rd, Romford RM1 3LB. 0708 66966
H.I.B.A. ....9.03 6.75 9.83 Daily

Tyndall & Co
29-33 Princess Victoria St, Bristol 0272 732241
Demand Acc ....9.45 7.09 10.19 Qtr
Money Acc ....9.36 7.00 10.11 Qtr

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733
Special Acc ....9.00 6.75 9.77 Mth
Over £10,000 ....9.25 6.93 10.04 Mth

Western Trust & Savings Limited
The Moneycentre, Plymouth PL1 1SE 0752 224141
High Int Chq Acc ....9.67 7.27 10.66 Qtr

Wimbledon & South West Finance Co Ltd
114 Newgate St, London EC1A 7AE. 01-606 9485
High Int Cheque Acc ....11.00 8.25 — Qtr.

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	30	NEI	11
Amstrad	23	Nat West Bk.	48
BAT	35	P & O Dfd	45
BOC Grp.	28	Plessey	18
BSR	11	Polly Peck	16
BTR	28	Racal Elect.	16
Babcock	17	RHM	20
Barclays	45	Rank Org Ord.	45
Beecham	40	Reed Intnl	75
Blue Circle	55	STC	16
Boots	22	Sears	12
Bowaters	30	TI	42
Brit Aerospace	45	Tesco	32
Brit. Telecom	17	Thorn EMI	40
Burton Ord	28	Trust Houses	15
Cadburys	17	Turner Newall	18
Charter Cons	22	Unilever	120
Comm Union	28	Vickers	40
Courtaulds	26	Wellcome	17
FNFC	17	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	85	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	85	Samuel Props	25
Guardian	75	**Oils**	
GKN	32	Brit. Oil & Min	2½
Hanson Tst.	16	Brit Petroleum	48
Hawker Sidd.	48	Burmah Oil	30
ICI	55	Charterhall	4
Jaguar	38	Premier	3½
Ladbroke	32	Shell	55
Legal & Gen	24	Tricentrol	11
Lex Service	20	Ultramar	18
Lloyds Bank	38	**Mines**	
Lucas Inds	52	Cons Gold	48
Marks & Spencer	18	Lonrho	24
Midland Bk	44	Rio T Zinc	50
Morgan Grenfell	30		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

EEC keeps close watch on US sales policy

THE EEC is watching US policy on farm export subsidisation very closely and officials say it would match any extension of the export enhancement programme (EEP) to the Soviet Union with higher subsidies on its own exports, reports Reuter from Brussels.

One official said yesterday that the community had so far matched the US step for step in the battle for export outlets. "If they went ahead (with subsidised grain sales to the Soviet Union) we would feel justified in following them as we have done elsewhere, such as North Africa and Egypt."

EEC Commission officials have estimated that the EEP has depressed grain prices in non-EEC Mediterranean countries by about $20 a tonne. "The US has been paying a commercially unwise and unnecessary bonus which has depressed prices even further," said one.

The officials admitted, however, that speculation about the EEP extension had firmed US grain markets and created a spill-over impact on world market prices.

Deadlock over tropical timber accord broken

BY WILLIAM DULLFORCE IN GENEVA

THE INTERNATIONAL Tropical Timber Agreement, the latest UN-sponsored commodity accord, is to become operational at last. After a wrangle lasting more than a year its council yesterday settled on Yokohama, Japan, to house the headquarters of its organisation and elected Mr Freezailah bin Che Yeom of Malaysia as its executive director.

Japan, which accounts for around 45 per cent of the $6bn world trade in tropical timber, is by far the biggest consumer while Malaysia is currently the biggest exporter.

The ITTA is a new-style commodity agreement with no price-stabilising function, buffer stock or export quotas. Its primary aim is to preserve the world's tropical forests and to improve their utilisation as a valuable resource for developing countries. Its 41 member states cover more than 95 per cent of world trade in tropical timber.

The agreement took eight years to negotiate and has been delayed another year by the inability of its members to agree on a headquarters and an executive director.

The choice of a location was eased on Monday when the European Community withdrew the candidacy of Amsterdam, leaving Jakarta as the only contender to Yokohama.

Mr Freezailah, 46, the deputy director-general of forestry for Malaysia, won election against Mr André Auguilé of Gabon and Mr Jean Clement of France.

The International Tropical Timber Organisation will concentrate on establishing forest management programmes, promoting research and development, collecting market information and encouraging producers to improve timber processing, so that they can get more added value from their exports.

Finance for the ITTA programme is still an open question. The consuming countries have previously rejected the idea of a levy on exports but this was one of four suggestions put forward yesterday by the World Wildlife Fund, which takes a special interest in conserving forests.

The levy would establish a "real" price for tropical timber covering the costs of re-afforestation, conservation and vital research as well as cutting and transport, the WWF said. It estimates that 11m hectares of tropical forests are being lost each year.

Last year the World Bank and the World Resources Institute calculated that an investment of $8bn over five years was needed to reverse the current destruction and stabilise the world's tropical forests.

South American sales boost forecast

BY NANCY DUNNE IN WASHINGTON

NON-FUEL commodity exports from Latin America will fall by about 4 per cent this year in volume terms, but the drop will be followed by an expansion of 4.8 per cent in 1987 and price recovery for many commodities, according to a new study released by the Inter-American Development Bank (IDB).

After years of depressed prices, production and consumption of many of the region's commodities have adjusted to fundamental market changes causing prices to rise, the report says. Sugar stocks, for example have declined markedly, and the Bank expects prices of raw sugar to rebound to over seven cents a pound this year and to nearly 15 cents a pound in 1987. By the end of the decade the world sugar price could hit 20 a pound, according to the IDB's optimistic assessment.

Its forecast for cotton is similarly bright. Oversupply has been depressing the market, but this year the Chinese and the US adopted measures aimed at reducing excess stocks. Other producing countries have reduced their acreage in response to last year's 26 per cent price drop.

Cotton consumption is expected to grow by an acreage of 1.6 per cent a year and prices are forecast to rise on average of nearly 8 per cent during the remainder of the decade. In the 1990's the forecast for price movements averages over 5 per cent with a cyclical peak occurring in 1993-94.

Much of the Bank's optimism is based on the fall in the cost of oil, which, it believes will boost world growth. Supply disruptions will also boost coffee and maize prices it says.

WEEKLY METALS

All prices as supplied by Metal Bulletin:

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,300-2,400.

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.25-2.50.

CADMIUM: European free market, min. 99.95 per cent, $ per lb, in warehouse, ingots, 0.90-0.95, sticks, 0.91-0.96.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 3.80-4.20.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 170-190.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.00-3.05.

SELENIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 4.60-4.80.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO_3, cif, 44-53.

VANADIUM: European free market, min. 98 per cent V_2O_5, cif, 2.50-2.55.

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 17.00.

RTZ to close Spanish copper mines

BY KENNETH MARSTON, MINING EDITOR

BECAUSE OF substantial losses, three small Spanish copper mines are to be closed down by Rio Tinto Minera, the company in which London's Rio Tinto-Zinc and Union Explosivos Rio Tinto of Spain each have a holding of 49 per cent. Their losses have been worsened by the strength of the peseta in conjunction with the continued weakness of the US dollar-based copper price.

The mines are the Cerro Colorado, Alfredo and Santiago operations in the Minas de Riotinto area of southern Spain. They include both open-pit and underground workings. Combined production of copper concentrates (containing about 70 per cent copper) amounted to 233,000 tonnes in 1984.

Rio Tinto Minera's nearby gossan and pyrites mining operations and smelting activities continue to be profitable. The gossan mining is primarily a gold and silver operation and a £25m expansion programme has been in progress to double the ore treatment rate to 5m tonnes a year.

This will combat the effects of falling ore grades to give the operation annual output rates of 4,000 kg gold and over 120,000 kg silver by 1987. Also unaffected are RTZ's high grade copper mining operations at Neves Corvo, across the border in Portugal.

Modest hopes for Angolan coffee

BY TONY HODGES, RECENTLY IN LUANDA

"IN ORDER to improve the balance of payments position, priority must be given to the production and marketing of coffee," President José Eduardo dos Santos declared at a national conference on agrarian development last month in Luanda.

The collapse in the price of oil, which now accounts for 95 per cent of Angolan export earnings, has encouraged the country's leaders to recall that Angola was once a major exporter of agriculutral produce. Until its troubled accession to independence in 1975, it was the fourth largest coffee producer in the world, with output well over 3m bags (180,000 tonnes) a year.

Since independence, however, there has been a disastrous decline. In 1984 marketed production sank to a pitiful 10,589 tonnes, about 5 per cent of average pre-independence output. Last year the decline seemed to have been arrested and there was a modest "recovery" to 13,686 tonnes.

By drawing on stocks, Angola has been able for some time to cushion the fall in exports—last year it exported 18,660 tonnes. And a political premium paid for Angola's coffee by East Germany, which last year bought almost half these shipments, enabled Angola to remain third in the world coffee price league — even though its coffee is the lower grade robusta type and quality has been deteriorating.

However, the commodity that was once Angola's top export (it was overtaken by oil in 1973) last year earned only $55m, a mere 2.7 per cent of total exports.

With stocks now virtually exhausted this year's national plan envisages coffee exports remaining about 20,000 tonnes.

The causes of the industry's decline are manifold but by far the most important was the upheaval of 1975, when Angola was plunged into war on the eve of independence. Not only did the Portuguese coffee planters flee abroad, abandoning their farms, but many of their migrant Ovimbundu workers left the coffee growing regions in the nurth west to return to their homeland in the central highlands.

Ever since, there has been an acute shortage of manpower, as well as a dearth of managerial and technical skills.

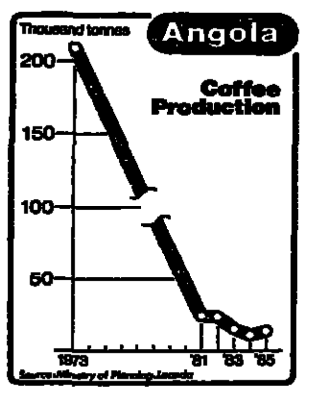
The coffee farms abandoned by the Portuguese, which covered over 300,000 hectares, were nationalised after independence, but the area under state control has been reduced in recent years in view of the Government's limited managerial capacity. Now 34 state agricultural companies are cultivating coffee on 66,000 ha. With the state sector producing only 8,890 tonnes last year, all the companies have chronic deficit.

Traditionally, about a quarter of a million peasants also grew coffee. But the collapse of the Portuguese-run marketing system after independence prompted most peasant coffee growers to revert to subsistence farming. Last year less than 4,800 tonnes was marketed from the private sector.

Government hopes for recovery are modest. Mr Antonio Henriques da Silva, the planning Minister, says that exports are targeted to reach 26,500 tonnes in 1987 but are not expected to exceed 40,000 tonnes before the end of the decade.

One constraint is that many of the trees are over 40 years old. Entire farms have been abandoned for years and have succumbed to the undergrowth and disease.

There is still an acute labour shortage. Last year the state coffee plantations had about 29,800 workers, only 54 per cent of their labour requirement. A year ago the Instituto Nacional do Café (Inca) launched a campaign to recruit 6,000 workers in the Ovimbundu provinces of Huambo and Benguela. By transporting entire families, Inca hoped to settle them permanently on the coffee plantations. But the resettlement programme had to be abandoned. "They were so malnourished before they left that some of the children were dying in transit," an aid worker claimed.



The productivity of the state farms has been further undermined by extremely high rates of labour absenteeism (45 per cent for the men and 75 per cent for the women according to government officials, a consequence of the virtual worthlessness of wages paid in kwanzas and the workers' need to cultivate their own food crops to survive.

To tackle the problem, the UN's World Food Programme is spending $14.25m on a food-for-work project. About 10,000 workers in 14 state coffee companies are receiving 40 per cent of their wages in food.

Meanwhile, like most of rural Angola, the coffee regions are living in the shadow of Unita's bush war. Guerrilla attacks have inflicted $4.3m worth of damage on the coffee industry, according to government figures.

With few trucks still in working order, and military convoys obligatory but irregular in most coffee growing areas, coffee marketing has become a planner's nightmare.

Government officials recognise, however, that policy reforms could help boost coffee production and marketing, in spite of the war. There have been disincentives to coffee cultivation—notably an artificial exchange rate, which devalues the coffee growers' real proceeds about 30-fold, and the shortages of consumer goods to exchange with peasant producers.

The Government is committed in principle to devaluation of the kwanza, and a regional import-export company, Uigemex, has been set up in the province of Uíge to trade "incentive goods" for coffee. Another reform on the drawing board is a scheme to allow export industries like the coffee sector to retain a proportion of their foreign exchange earnings.

Without such tangible rewards, recovery of this once vigorous industry seems bound to remain an elusive dream.

Tony Hodges is Africa editor at the Economist Intelligence Unit.

Soft drinks push coffee out of top spot in US

BY RICHARD MOONEY

THE AVERAGE American's consumption of coffee has nearly halved from the peak level reached in the early 1960s, according to a report published by the International Coffee Organisation. And, adding insult to injury, coffee has for the first time lost pride of place as America's favourite beverage to soft drinks.

Preliminary figures for this year show that consumption is down to only 1.74 cups per person per day from 3.12 cups in 1962, 2.57 cups in 1976 and 2.02 cups in 1980.

Roast and ground coffee and instant have shared more-or-less equally in the 44.3 per cent overall decline since 1962. Decaffeinated coffee has shown a 310 per cent increase to 0.41 cups per person per day, but even that figure has tailed off from its 1984 peak of 0.44 cups.

The age group break down of the figures makes even more alarming reading for the coffee trade as it shows that the over-50s are now by far the heaviest coffee drinkers in the US. The 50-59 group tops the league with 2.77 cups per day, followed by the 60- to 69-year-olds with 2.7 cups.

The 30- to 39-year-olds, who were the biggest coffee drinkers in 1962 at 4.50 cups a day, are now lagging behind at 2.11 cups, and the coffee drinking habit seems to be in full retreat among the under-30s.

The 25 to 29-year-olds are now consuming 1.32 cups a day each, down from 3.88 cups in 1962, while the 15 to 19 group is down to a mere 0.16 cups.

The ICO points out, however, that the data was collected at a time when coffee prices were rising sharply, which may have depressed consumption temporarily.

Nevertheless the Organisation is clearly concerned about the steep fall in consumption, particularly among the young. During the 1985-86 coffee marketing season the ICO promotion fund co-operated with the US National Coffee Association to test a generic advertising campaign aimed at making coffee appeal more to young people and appear better suited to modern life styles.

Coffee's fiercest competition clearly comes from soft drinks. Since 1962 the proportion of Americans drinking coffee has fallen by 22.6 per cent to 52.1 per cent while the figure for soft drinks has risen by 25.5 per cent to 58.4 per cent. At the same time tea has made modest progress, from 24.7 per cent to 30.9 per cent and juices have gone up from 41.4 per cent to 45.3 per cent. But milk has slipped back 5.3 per cent to 48.3 per cent.

United States of America Coffee Drinking Study: Winter 1986. International Coffee Organisation, 22 Berners Street, London W1P 4DD.

LONDON MARKETS

STERLING'S strength against the dollar, coupled with stop-loss selling in New York, pushed London Metal Exchange copper prices sharply lower yesterday. The Grade A cash price ended the day £13.25 down at £884.75 a tonne. Other LME markets were also weaker, notably aluminium, down £10 at £758.50 a tonne for cash, and zinc, down £8 at £535 a tonne. Sterling's rally was again the main influence. Coffee values continued easier in quiet trading with the September futures position closing another £11 lower at £1,882.50 a tonne, following Monday's £16 fall. But the cocoa market remained quite firm with the September position registering its fourth successive rise with a £12 advance to £1,459.50 a tonne. Earlier in the day the September cocoa had reached a 4-month high of £1,470 a tonne. Dealers said improved sentiment following the successful renegotiation of the International Cocoa Agreement was still a factor in the market.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	758-9	−10	764.5
3 months	768-8.5	−9.5	775/767

COPPER

Grade A	Unofficial close	+ or −	High/low
Cash	884-5	−13.25	891.5/885.5
3 months	904-4.5	−12.5	913.5/902
Standard Cash	858-60	−9.0	866-864
3 months	876-82	−10	

COCOA

Futures opened steadier than due on trade buying and remained well-supported through an active trading session. Profit-taking and firmer sterling pared gains and prices closed in the lower half of the day's range. Producer selling and light industry offtake both featured, reports Gill and Duffus.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	256-7	−2	257/255.5
3 months	261-1.5	−3.25	266/260

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	2630-50	−55	2667/2650
3 months	2660-5	−40	2705/2665

COFFEE

Prices drifted around in a £30 range below the previous close with little positive direction today, reports Drexel Burnham Lambert. Inter dealer business in the cash market failed to impact on the terminal and with "C" contract similarly dull prices closed down on the day.

TIN

KUALA LUMPUR TIN MARKET: Close 14.19 (14.14) ringgit per kg. Up 0.05 ringgit per kg.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	557.5-8.5	−8.0	541
3 months	534.25-4.5	−5.25	540/534

SOYABEAN MEAL

A quiet session with prices trading around unchanged with no particular features, reports Muirpace.

GOLD

GRAINS

Wheat market again steadied sharply surpassing original contract highs before finding country hedge selling interest, while barley also firmed in spot position, with shipper covering fulfilling renewed export business, closing on a sell-off after again reaching new market highs, reports T. G. Roddick.

SILVER

MEAT

RUBBER

PHYSICALS — The London market opened slightly easier, drifted lower throughout the day and closed steady, reports Lewis and Peat.

POTATOES

Following higher Dutch opening advices and widespread talk of Rhizomania on imports, and other crop problems, buyers were in evidence on the opening, and April immediately found buyers over the 200 barrier which triggered some stop loss orders. Trading during the day was lacklustre.

INDICES

REUTERS

July 29	July 28	M'th ago	Year ago
1457.9	1468.0	1453.7	1661.9

(Base: September 18 1931=100)

DOW JONES

Dow Jones	July 28	July 25	M'th ago	Year ago
Spot	127.74	125.85	—	115.26
Fut	116.29	116.04	—	116.48

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

[illegible]

US MARKETS

TRADE HOUSES were buyers in October sugar, possibly on behalf of Cuba, reports Heinold Commodities. The rally could not be sustained after the October position was unable to reach yesterday's high of 6.85 cents, and the market closed .22 cents lower. Cocoa futures dropped back from near four months highs after running into price fix selling and profit-taking. New York values moved up on continued chart strength, along with bullish sentiment provided by the Cocoa pact and dryness in the Ivory Coast. Prices climbed to their highs as speculative buying triggered buy stops at over $2,015 per tonne basis September, but lost ground when they encountered Brazilian price fix selling. The Coffee market remained confined to its recent trading range in the absence of fresh fundamental news and subdued industry take-off.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb; COCOA 10 tonnes, $/tonnes; COFFEE "C" 37,500 lb, cents/lb; COPPER 25,000 lb, cents/lb; COTTON 50,000 lb, cents/lb; CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel; GOLD 100 troy oz, $/troy oz; PLATINUM 50 troy oz, $/troy oz; HEATING OIL 42,000 US gallons, cents/US gallons; ORANGE JUICE 15,000 lb, cents/lb; SILVER 5,000 troy oz, cents/troy oz; SUGAR WORLD "11" 112,000 lb, cents/lb

[illegible]

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb; LIVE HOGS 30,000 lb, cents/lb; MAIZE 5,000 bu min, cents/56 lb-bushel; PORK BELLIES 38,000 lb, cents/lb; SOYABEANS 5,000 bu min, cents/60 lb-bushel; SOYABEAN MEAL 100 tons, $/ton; SOYABEAN OIL 60,000 lb, cents/lb; WHEAT 5,000 bu min, cents/60 lb-bushel

[illegible]

SUGAR

LONDON DAILY PRICE—Raw sugar $154.50 (£104.00) down $1.00 (down £1.50) a tonne for August-September delivery. White sugar $197.50 (up $1.50).

[illegible]

FREIGHT FUTURES

[illegible]

OIL

Firming US futures in response to news of possible output cuts by OPEC helped strengthen 15-day Brent to 15 cents in Aug and in Sept. Nymex WTI opened 3 cents up but traded sharply higher at 50 cents up by 1.30 pm EDT. In the petroleum products market naphtha and gas oil were quiet and stable. There was interest for UK demand for gasoline. Heavy fuel was quiet. Petroleum Argus, London.

CRUDE OIL—FOB ($ per barrel)—August

[illegible]

PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)

[illegible]

* September
Petroleum Argus estimates

GAS OIL FUTURES

[illegible]

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar slides but pound better

The dollar weakened in late European trading. Earlier in the day the US currency had been supported by short covering, after Monday's sharp fall, ahead of further testimony before a US Congressional committee by Mr Paul Volcker, chairman of the Federal Reserve Board. He repeated his call for faster growth among other industrialised nations, and said the US trade balance *is the key to future economic growth*.

Mr Volcker said nothing to reverse the bearish sentiment surrounding the dollar, as attention turned towards today's publication of the June US trade figures. These are expected to record a deficit little different from the May figure of $14.21bn, and to compare very unfavourably with the announcement yesterday of a June West German trade surplus of DM 9.9bn ($4.7bn).

The dollar fell to DM 2.1110 from DM 2.1135, the lowest level since April 2 1981, and to SFr 1.6900 from SFr 1.7000, the weakest since October 24 1980, but eased only slightly to Y155.70 from Y155.75, and improved to FFr 6.84 from FFr 6.8375. On Bank of England figures the dollar's index fell to 112.2 from 112.7, the lowest since May 12 1982.

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3770. June average 1.5089. Exchange rate index rose to 72.1 from 71.7, compared with 74.8 six months ago.

£ IN NEW YORK

July 29	Latest	Prev. close
Spot	$1.4850-1.4860	$1.4805-1.4815
1 month	0.40-0.37 pm	0.40-0.39 pm
3 months	1.21-1.18 pm	1.23-1.21 pm
12 months	4.48-4.38 pm	4.45-4.40 pm

Forward premiums and discounts apply to the US dollar

Sterling recovered some of the ground lost on Monday, as North Sea oil showed a slightly firmer trend in quiet trading and ministers from Opec continued their meeting, aimed at cutting production quotas, in Geneva. Nervousness about the UK political situation also appeared to ease, as the pound rose 70 points to $1.4880-1.4890, and advanced to DM 3.1425 from DM 3.13; to FFr 10.18 from FFr 10.13; and to Y231.75 from Y230.75, while easing to SFr 2.5150 from SFr 2.5175.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.1110. June average 2.2226. Exchange rate index 137.6 against 132.9 six months ago.

The D-Mark remained firm, but trading was quiet in Frankfurt, ahead of Mr Volcker's resumed testimony before the US Congress. Only the possibility the Federal Reserve Board chairman would say something to arrest the dollar's decline appeared to prevent a further sharp appreciation by the D-Mark. Sentiment surrounding the dollar remained bearish after Mr Claus Koehler, a Bundesbank board member, said there was no reason to cut West German interest rates. As expected the West German trade surplus widened in June to DM 9.9bn, from DM 8.1bn in May, although the current account surplus narrowed to DM 4.2bn from a revised DM 5.9bn. The Bundesbank did not intervene when the dollar was fixed at DM 2.1173 in Frankfurt, the lowest level since April 2 1981. Monday's fixing level was DM 2.1379. The dollar closed in Frankfurt at DM 2.1215 compared with DM 2.1270.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 155.00. June average 167.50. Exchange rate index 217.5 against 182.0 six months ago.

The yen gained ground against the dollar in Tokyo, with the US currency closing at Y155.70 compared with Y157.20 on Monday. The decline of the dollar continued a trend set in New York, but attempts to push the US unit below the resistance level of Y155 met with persistent buying of the currency. The comment by Mr Malcolm Baldrige in Tokyo, that "My defence for the ever-growing Japanese surplus before Congress is wearing very thin" contributed to the general weakness of the dollar. Mr Baldrige forecast that the US trade deficit with Japan may widen to over $60bn next year from an estimated $55bn to $60bn in 1986.

POUND SPOT—FORWARD AGAINST POUND

July 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4790-1.4930	1.4880-1.4890	0.40-0.37c pm	3.10	1.25-1.20 pm	3.29
Canada	2.0555-2.0695	2.0645-2.0655	0.20-0.11c pm	0.90	0.59-0.48 pm	0.93
Nethlnd.	3.53-3.55½	3.53½-3.54½	1½-1c pm	3.81	4-3¾ pm	4.38
Belgium	64.71-65.33	64.86-64.96	15-11c pm	2.40	45-37 pm	2.53
Denmark	11.80½-11.86¼	11.81½-11.82½	1¾ pm-¼ore dis	0.57	4¾-3¼ pm	1.33
Ireland	1.0595-1.0625	1.0595-1.0605	par-0.10p dis	−0.57	0.10-0.30dis	−0.76
W. Ger.	3.13¼-3.15¼	3.13½-3.14½	1¾-1⅝pf pm	6.21	4¾-4⅜ pm	5.25
Portugal	219.41-222.33	220.60-222.20	70-170c dis	−6.51	165-480 dis	−5.83
Spain	201.77-203.55	202.25-202.55	30-70c dis	−2.97	115-155 dis	−2.67
Italy	2149½-2164½	2157-2158	1-8lire dis	−1.67	6-10 dis	1.48
Norway	11.05¼-11.10½	11.07½-11.08½	4-4.50ore dis	−4.67	12½-14 dis	−4.83
France	10.12-10.21½	10.17½-10.18½	2½-1¼c pm	2.36	6½-5¼ dis	−2.53
Sweden	10.40½-10.44½	10.41½-10.42½	½pm-½ore dis	0.29	1¾-¼ pm	0.26
Japan	230½-232½	231½-232½	1¼-¾y pm	5.18	3½-2¾ pm	5.18
Austria	22.07-22.28	22.09-22.12	8⅞-7gro pm	4.45	26½-23½ pm	4.48
Switz.	2.51-2.53	2.51-2.52	1⅛-⅞c pm	4.77	3¼-3 pm	4.97

Belgian rate is for convertible francs. Financial franc 65.45-65.55. Six-month forward dollar 2.36-2.21c pm. 12-month 4.40-4.25c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

July 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4790-1.4930	1.4880-1.4890	0.40-0.37c pm	3.10	1.25-1.20 pm	3.29
Ireland†	1.3960-1.4070	1.4040-1.4050	0.60-0.30c pm	3.85	1.75-1.25c pm	4.28
Canada	1.3857-1.3880	1.3870-1.3880	0.24-0.27c dis	−2.20	0.83-0.88ds	−2.46
Nethlnd.	2.3760-2.4000	2.3780-2.3790	0.19-0.17c pm	0.90	0.65-0.60p m	1.05
Belgium	43.55-43.90	43.55-43.65	2-3c dis	−0.69	7-10 dis	−0.78
Denmark	7.94-7.99¾	7.94-7.94½	1.40-2.00ore dis	−2.56	3.65-4.25ds	−1.98
W. Ger.	2.1050-2.1260	2.1105-2.1115	0.33-0.30pf pm	1.79	1.05-1.00 pm	1.94
Portugal	147½-149¼	148-149¼	90-150c dis	−9.75	250-430 dis	−9.20
Spain	135.55-136.45	135.70-135.80	60-70c dis	−5.73	190-220dis	−6.02
Italy	1448-1459	1449½-1449¾	5-6½lire dis	−4.75	17-18½ dis	−4.88
Norway	7.44-7.47	7.44-7.44½	4.70-5.00ore dis	−7.80	10.00-10.30d	−5.44
France	6.82½-6.88	6.83¾-6.84¼	0.40-0.50c dis	−0.79	1.20-1.40ds	−0.76
Sweden	6.97¼-7.02½	7.00-7.00½	1.60-1.80ore dis	−2.91	5.20-5.50ds	−3.05
Japan	155.45-156.35	155.65-155.75	0.26-0.21y pm	1.81	0.73-0.68 pm	1.81
Austria	14.83-14.95	14.85½-14.86	2½-1½gro pm	1.61	6-3 pm	1.20
Switz.	1.6850-1.7060	1.6895-1.6905	0.23-0.18c pm	1.45	0.75-0.65 pm	1.65

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 43.95-44.05.

EXCHANGE CROSS RATES

July 29	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.489	3.143	231.8	10.18	2.515	3.540	2158.	2.065	64.90
$	0.672	1.	2.111	155.7	6.840	1.690	2.379	1450.	1.387	43.60
DM	0.318	0.474	1.	73.75	3.239	0.800	1.126	686.6	0.657	20.65
YEN	4.316	6.425	13.56	1000.	43.93	10.85	15.28	9310.	8.910	280.0
F Fr.	0.983	1.462	3.087	227.7	10.	2.471	3.477	2119.	2.028	63.75
S Fr.	0.398	0.592	1.250	92.16	4.048	1.	1.408	857.9	0.821	25.81
H Fl.	0.282	0.420	0.888	65.47	2.876	0.710	1.	609.5	0.583	18.33
Lira	0.46	0.690	1.457	107.4	4.718	1.166	1.641	1000.	0.957	30.08
C $	0.484	0.721	1.522	112.2	4.930	1.218	1.714	1045.	1.	31.34
B Fr.	1.541	2.294	4.843	357.1	15.69	3.875	5.455	3324.	3.182	100

Yen per 1,000; French Fr 10; Lira per 1,000; Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

July 29	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	9¾ 10	9¾-10	9⅞-10	9⅞-10	9⅞-10⅟₁₆	9⅞-10⅟₁₆
U.S. Dollar	6⅟₁₆-6⁵⁄₁₆	6⅟₁₆-6⅜	6½-6⅝	6½-6⅝	6½-6⅝	6⅝-6¾
Can Dollar	8¼-8½	8 8¼	8⅝-8⅞	8¾-9	9-9¼	9-9¼
D Guilder	5¼-5½	5¼-5½	5⅜-5⁹⁄₁₆	5⅟₁₆-5⅜	5⅜-5½	5⅜-5½
Sw. Franc	¼-¾	12½-13	4¾-4⅞	4¾-4⅞	4¾-4⅞	4¾-4⅞
Deutschmrk	6-6¼	4¾-5	4⅝-4¾	4⅝-4⁹⁄₁₆	4⅝-4¾	4⁹⁄₁₆-4⅝
Fr. Franc	7¼-7¾	7¼-7⅝	7¼-7⅝	7¼-7⅝	7⅟₁₆-7⅞	7⅟₁₆-7⅞
Italian Lira	10¼-11¼	10⅜-11⅜	11⅛-11⅝	11¼-11⅝	11⅜-11¾	11½-12
B.Fr.(Fin)	6⅞-7⅛	7⅛-7⅜	7⅛-7⅜	7⅟₁₆-7⅟₁₆	7¼-7½	7¼-7½
B.Fr.(Con)	6⅞-7⅛	6¾-7¼	7⅛-7⅝	7½-7⅝	7¼-7¾	7¼-7¾
Yen	4⁹⁄₁₆-4⁹⁄₁₆	4⅟₁₆-5	4¹³⁄₁₆-4⅞	4⅟₁₆-4⅞	4⅟₁₆-4⅟₁₆	4⁹⁄₁₆-4¾
D. Krone	9⅛-9⅝	9⅛-9⅝	9¼-9¾	9¼ 9¾	9⅝-10⅛	9¾-10¼
Asian $ (Sng)	5⅟₁₆-6⅟₁₆	6⅟₁₆-6⅝	6½-6⅝	6½-6⅝	6½-6⅝	6⅝-6¾

Long-term Eurodollars: two years 7-7¼ per cent; three years 7¼-7⅜ per cent; four years 7¾-8 per cent; five years 8-8¼ per cent nominal. Short-term rates are call for US dollars and Japanese yen; others two days' notice.

CURRENCY MOVEMENTS

July 29	Bank of England Index	Morgan Guaranty Change %
Sterling	72.1	−19.9
U.S. dollar	112.2	+3.8
Canadian dollar	77.8	−12.7
Austrian schilling	126.8	+7.6
Belgian franc	95.8	−7.0
Danish Kroner	86.9	−0.5
Deutsche mark	137.6	+16.5
Swiss franc	167.1	+22.5
Guilder	127.6	+10.9
French franc	69.3	−13.7
Lira	47.0	−15.6
Yen	217.5	+61.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

CURRENCY RATES

July 29	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.806792	0.674165
US $	6	1.19683	1.00112
Canadian $	8.63	*	1.38875
Austria Sch	4	17.8143	14.9067
Belgian Fr	8	52.3201	43.7765
Danish Kr	7	9.53515	7.97592
D'mark	3½	2.53278	2.11887
Guilder	4½	2.85540	2.38867
French Fr	9½	N/A	6.85767
Lira	12	1746.88(1)	1465.13
Yen	3½	186.133	156.225
Norway Kr.	8	8.93105	7.45986
Span'h Pta.	—	162.861	136.252
Swedish Kr	8	N/A	7.08436
Swiss Fr.	4	2.03299	1.70040
Greek Drch	20½	163.315	136.683
Irish Punt	—	0.857713(1)	0.713811

* C$/SDR rate for July 28: 1.65210. (1) SDR rate for July 28.

OTHER CURRENCIES

July 29	£	$
Arg'tina	1.3640-1.3655	0.9200-0.9210
Aus'ala	2.4350-2.4385	1.6415-1.6435
Brazil	20.40-20.52	13.77-13.84
Finland	7.4575-7.4770	5.0310-5.0330
Greece	201.18-204.71	135.70-137.99
H'kong	11.5720-11.5840	7.8065-7.8085
Iran	114.00*	77.50*
Kuwait	0.4300-0.4310	0.28990-0.29020
Lux'burg	64.85-64.95	43.55-43.65
Malaysia	3.9045-3.9115	2.6355-2.6385
N'Z'land	2.8100-2.8200	1.8920-1.8975
Saudi Ar.	5.5570-5.5725	3.7515-3.7525
Sin'pore	3.2235-3.2285	2.1775-2.1795
S.Af (Cm)	3.7755-3.8020	2.5490-2.5545
S.Af.(Fn)	5.8950-7.2315	4.5515-4.8760
U.A.E.	5.4495-5.4555	3.6725-3.6755

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 29	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.6761	43.7765	+0.23	+0.91	±1.5368
Danish Krone	7.91896	7.97592	+0.72	+1.40	±1.6408
German D-mark	2.13834	2.11887	−0.91	−0.23	±1.1202
French Franc	6.96280	6.85767	−1.51	−0.83	±1.3701
Dutch Guilder	2.40935	2.38867	−0.86	−0.18	±1.5091
Irish Punt	0.712956	0.713811	+0.12	+0.80	±1.6689
Italian Lira	1496.21	1465.13	−2.08	−1.40	±4.0788

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

US bonds weak

US Treasury bond futures were weak on the London *International Financial Futures Exchange* yesterday, reacting to the sharp overnight decline in Chicago, where September bonds bonds finished limit down, after losing two points to 95.00. Heavy selling had developed in Chicago after the contract broke through an important chart support point of 93-30, and trading remained nervous *yesterday ahead of* today's announcement of the US Treasury's quarterly refunding package. The price weakened on fears that yields would not be high enough to attract strong interest from Japanese investors. September bonds opened at 95-11 on Liffe, and touched a low of 95-03, before closing at 95-15, compared with 96-07 on Monday.

Long-term gilt futures were firmer, encouraged by a steadier performance by sterling and rumours of switching into gilts from US bonds and Australian bonds by Japanese sources. Gains of about ½ point in long-dated stocks on the cash market added support. The September contract opened at 119-29, and after touching 119-27 rose to a peak of 120-17. It closed at 120-11, compared with 119-27 previously.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
116	4.30	5.36	—	—	0.08	1.24	—	—
118	2.48	4.17	—	—	0.27	2.05	—	—
120	1.29	3.11	—	—	1.07	2.63	—	—
122	0.40	2.18	—	—	2.18	4.06	—	—
124	0.14	1.37	—	—	3.58	5.25	—	—
126	0.04	1.04	—	—	5.48	6.56	—	—
128	0.01	0.44	—	—	7.43	8.32	—	—
130	0.00	0.27	—	—	9.42	10.15	—	—

Estimated volume total, Calls 458 Puts 295
Previous day's open int. Calls 11,859 Puts 4,403

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
88	7.34	7.57	—	—	0.04	1.11	—	—
90	5.42	6.28	—	—	0.12	1.47	—	—
92	3.62	5.11	—	—	0.32	2.29	—	—
94	2.35	4.04	—	—	1.05	3.22	—	—
96	1.31	3.08	—	—	2.01	4.28	—	—
98	0.49	2.22	—	—	3.19	5.40	—	—
100	0.23	1.47	—	—	4.57	7.01	—	—
102	0.09	1.16	—	—	6.43	8.34	—	—

Estimated volume total, Calls 64 Puts 101
Previous day's open int. Calls 1,648 Puts 685

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike price	Calls—Last Aug	Sept	Oct	Dec	Puts—Last Aug	Sept	Oct	Dec
1.30	—	18.55	—	18.55	—	0.02	—	0.54
1.35	13.55	13.55	13.55	13.96	0.00	0.13	0.41	1.26
1.40	8.55	8.56	8.75	9.22	0.06	0.60	1.20	2.62
1.45	3.85	4.78	5.34	6.19	0.68	1.88	2.79	4.49
1.50	1.16	2.23	2.89	3.90	2.87	4.33	5.34	7.20
1.5	0.18	0.84	1.38	2.30	6.89	7.94	8.83	10.60
1.60	0.01	0.26	0.58	1.27	11.72	12.36	13.03	14.57

Estimated volume total, Calls 235 Puts 420
Previous day's open int. Calls 3,668 Puts 4,966

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last Aug	Sept	Oct	Dec	Puts—Last Aug	Sept	Oct	Dec
135	—	19.80	—	19.80	—	0.50	—	1.50
140	8.80	9.20	—	9.80	0.00	0.90	—	2.70
145	3.65	4.70	5.20	6.20	0.80	2.00	2.90	4.50
150	1.20	2.10	2.80	3.90	3.20	4.50	5.50	7.20
155	0.30	0.85	1.35	2.20	7.30	8.20	9.05	10.60
160	0.15	0.40	—	1.20	12.25	12.50	—	14.30
165	0.10	0.20	—	0.70	17.25	17.40	—	18.70

Previous day's open int. Calls 4,257 Puts 1,455
Volume 21

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last Aug	Sept	Dec	Mar	Puts—Last Aug	Sept	Dec	Mar
1.30	—	17.80	17.80	—	—	0.06	0.40	—
1.35	—	12.80	12.80	13.10	—	0.10	1.05	2.10
1.40	—	7.85	8.70	19.30	—	0.45	2.25	3.70
1.45	3.50	4.20	5.70	6.50	0.55	1.80	4.00	5.75
1.50	0.85	1.85	3.65	4.50	2.75	4.15	6.80	8.70
1.55	0.10	0.65	2.00	2.85	8.80	7.85	9.80	11.60
1.60	—	0.15	1.20	1.80	11.50	12.00	13.80	15.40

Previous day's open int. Calls 3,5112 Puts 32,849
Previous day's volume, Calls 3,311 Puts 1,410

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
92.25	1.13	1.12	1.05	—	0.00	0.01	0.05	—
92.50	0.88	0.89	0.84	—	0.00	0.03	0.09	—
92.75	0.64	0.67	0.64	—	0.01	0.06	0.14	—
93.00	0.40	0.47	0.47	—	0.02	0.11	0.22	—
93.25	0.21	0.31	0.32	—	0.08	0.20	0.32	—
93.50	0.08	0.18	0.21	—	0.20	0.32	0.45	—
93.75	0.02	0.09	0.12	—	0.39	0.48	0.62	—

Previous day's open int. Calls 1,283 Puts 1,599
Estimated Volume, Calls 20 Puts 0

CHICAGO

US TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	95-12	96-28	95-04	95-00
Dec	94-18	94-30	94-09	94-05
March	93-20	94-01	93-14	93-10
June	92-22	93-05	92-22	92-16
Sept	91-28	92-10	91-28	91-24
Dec	91-06	91-21	91-06	91-02
March	90-18	90-31	90-18	90-14
June	—	—	—	89-28
Sept	—	—	—	—
Dec	—	—	—	88-30
March	—	—	—	88-18

US TREASURY BILLS (IMM) $1m
points of 100%

	Latest	High	Low	Prev
Sept	94.24	94.27	94.23	94.23
Dec	94.30	94.34	94.30	94.28
March	94.24	94.27	94.22	94.20
June	94.08	94.12	94.08	94.03
Sept	93.88	93.91	93.87	93.82
Dec	93.67	93.70	93.63	93.61
March	93.46	93.48	93.45	93.40

CERT DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	—	—	—	93.69
Dec	—	—	—	93.55
March	—	—	—	93.14

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Sept	93.35	93.38	93.33	93.33
Dec	93.33	93.36	93.31	93.29
March	93.23	93.25	93.19	93.16
June	93.03	93.05	93.02	92.95
Sept	92.78	92.80	92.77	92.70
Dec	92.54	92.56	92.48	92.45
March	92.29	92.31	92.26	92.20
June	92.06	92.07	92.01	91.95

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
Sept	120-11	120-17	119-27	119-27
Dec	120-06	120-03	120-03	119-22
Mar	120-00	—	—	119-16
June	120-00	—	—	119-16

Est. Volume 8,515 (6,771)
Previous day's open int. 13,646 (13,881)
Basis quote (clean cash price of 13% Treasury 2004-08 less equivalent price of near futures contract) −4 to 4 (32nds).

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev
Sept	100-50	100-50	100-42	100-38
Dec	100-50	—	—	100-38
Mar	100-50	—	—	100-38

Est. Volume 246 (250)
Previous day's open int. 1,168 (1,061)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Sept	158.10	158.10	156.55	157.55
Dec	160.95	160.70	160.70	160.20
Mar	163.45	—	—	162.70

Est. Volume 633 (349)
Previous day's open int. 2,442 (2,398)

US TREASURY BONDS 8% $100,000
32nds of 100%

	Close	High	Low	Prev
Sept	95-15	95-24	95-03	96-07
Dec	94-23	94-22	94-19	95-18

Est. Volume 7,111 (4,372)
Previous day's open int. 8,027 (7,937)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev
Sept	90.18	90.20	90.12	90.13
Dec	90.38	90.39	90.33	90.35
Mar	90.34	90.34	90.30	90.31
June	90.24	90.22	90.17	90.21
Sept	90.08	90.18	90.02	90.06

Est. Volume 1,679 (1,774)
Previous day's open int. 14,647 (14,433)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
Sept	93.38	93.38	93.35	93.41
Dec	93.36	93.37	93.33	93.38
Mar	93.25	93.25	93.22	93.24
June	93.05	93.05	93.02	93.05
Sept	92.80	92.79	92.76	92.79

Est. Volume 3513 (2736)
Previous day's open int. 18,436 (18,451)

CURRENCY FUTURES

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4885	1.4847	1.4763	1.4652	1.4453

IMM—STERLING $s per £

	Latest	High	Low	Prev
Sept	1.4785	1.4830	1.4745	1.4730
Dec	1.4655	1.4720	1.4620	1.4615
Mar	1.4550	1.4600	1.4550	1.4485

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	1.4790	1.4807	1.4765	1.4636
Dec	1.4670	—	—	1.4515
Mar	1.4560	—	—	1.4405

Est. Volume 91 (201)
Previous day's open int. 1,504 (1,483)

STERLING INDEX

	July 29	Previous
8.30 am	72.1	71.7
9.00 am	72.1	71.9
10.00 am	72.1	71.9
11.00 am	72.1	71.9
Noon	72.1	72.0
1.00 pm	72.1	72.1
2.00 pm	72.2	72.0
3.00 pm	72.2	72.0
4.00 pm	72.1	71.7

MONEY MARKETS

Rates steady in dull London trading

Interest rates remained steady on the London money market yesterday. There were no new factors and trading was dull. Sterling improved, but the movement was mostly against Continental currencies, with the pound showing little change against the dollar. Dealers continued to see virtually no prospect of an early change in bank base rates, and Sterling certificate of deposits were unchanged at 9⅞-9¾ per cent for all periods from one-month to one-year. Three-month interbank also finished unchanged at 9⅞-10 per cent, as the market slumbered in a state of almost total lethargy.

The Bank of England forecast a money market shortage of £500m, and provided total assistance of £326m.

Before lunch the authorities bought £67m bills outright, by way of £42m bank bills in band 2 at 9⅞ per cent; £23m bank bills in band 3 at 9¾ per cent; and £2m bank bills in band 4 at 9⅞ per cent.

In the afternoon another £238m bills were purchased, through £10m bank bills in band 1 at 9⅞ per cent; £157m bank bills in band 2 at 9⅞ per cent; £51m in band 3 at 9⅞ per cent; £2m Treasury bills in band 4 at 9⅞ per cent; £2m local authority bills in band 4 at 9⅞ per cent; and £6m bank bills in band 4 at 9⅞ per cent.

Late assistance of £20m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £426m, with Exchequer transactions absorbing £135m, and bank balances below target another £5m. These factors outweighed a fall in the note circulation adding £50m to liquidity.

In Frankfurt call money was firmer at 4.725 per cent compared with 4.675 per cent. Mr Claus Koehler, a member of the West German Bundesbank board, said he seen no reason to change interest rates, in spite of pressure from the US. He added that growth must be achieved without threatening Germany's success in fighting inflation. Figures published Monday showed West German consumer prices falling at a year-on-year rate of 0.5 per cent in July. Growth is expected to be around 3.5 per cent this year.

UK clearing bank base lending rate, 10 per cent since May 22

NEW YORK RATES
(Lunchtime)

Prime rate	8
Broker loan rate	7¾
Fed funds	6¾
Fed funds at intervention	—
Treasury Bills & Bonds	
One month	5.40
Two month	5.81
Three month	6.05
Six month	6.15
One year	6.24
Two year	6.72
Three year	6.93
Four year	7.05
Five year	7.17
Seven year	7.24
10 year	7.44
30 year	7.54

FT LONDON INTERBANK FIXING

(11.00 a.m. July 29)

3 months US dollars		6 months US dollars	
bid 6¼	offer 6⅜	bid 6¼	offer 6⅜

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

July 29	Over-night	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.65-4.80	4.55-4.70	4.55-4.70	4.55-4.65	4.55-4.70	5.5
Paris	7¼	7¼-7⅜	7¼-7⅜	7¼-7⅜	7¼-7⅜	7
Zurich	1¾-1⅞	4⅝-4¾	—	4⅝-4¾	—	—
Amsterdam	5¼-5⅝	5⅝-6⅛	—	—	—	—
Tokyo	4.65625	4.65625	—	4.71875	—	—
Milan	11¼-11¾	11¼-11¾	—	11⅜-11¾	—	—
Brussels	4.70	7¼-7¾	—	7¼-7⅜	—	—
Dublin	9¼-9⅞	9⅞-10	10⅛-10⅜	10⅜-10⅝	10⅞-11⅛	—

LONDON MONEY RATES

July 29	Over-night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	9¾-11¼	9¾-10	9⅞-10	9⅞-10	9⅞-10⅟₁₆	10-10⅛
Sterling CDs	—	—	9⅞-9¾	9⅞-9¾	9⅞-9¾	9⅞-9¾
Local Authority Deps	9⅝-9¾	9⅞-10	9⅞-10	9⅞-10	9⅞-10	—
Local Authority Bonds	—	—	10⅛	10⅛	10	—
Discount Mkt Deps	9¾-10	9¾-9⅞	9¾	—	—	—
Company Deps	9¾-10¼	9¾-10¼	10-10⅛	10⅛	10¼	10¼
Finance House Deps	—	—	10	10	—	—
Treasury Bills (Buy)	—	—	9⅝	9⅝	—	—
Bank Bills (Buy)	—	—	9⅞	9⅞	9⅝	—
Fine Trade Bills (Buy)	—	—	10⅛	10	10	—
Dollar CDs	—	—	6.50-6.45	6.48-6.40	6.50-6.55	6.85-6.80
SDR Linked Deps	—	—	6⅛-6¾	6⅛-6⅜	6⅜-6⅝	6⅜-6⅞
ECU Deps	—	—	7¼-7⅜	7¼-7⅜	7¼-7⅜	7¼-7⅜

Treasury Bills (sell): one month 9⁹⁄₃₂ per cent; three months 9⁵⁄₁₆ per cent. Bank Bills (sell): one month 9²³⁄₃₂ per cent; three months 9⅝ per cent. Treasury Bills: Average tender rate of discount 9.5316 per cent. ECGD Fixed Finance Scheme IV reference date June 4 to July 1 (inclusive): 9.824 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from July 1 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.37 5 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 10 per cent; three-six months 10 per cent; six-nine months 10 per cent; nine-12 months 10 per cent. Under £100,000 10 per cent from July 18. Deposits held under Series 5 10 per cent. Deposits withdrawn for cash 9½ per cent.

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102⅛	100½	Exch. 14pc 1986	100⅞	–¼	13.88	9.87
98⅝	93⅞	Exch. 2½pc 1986	98⅝	+⅛	12.53	7.04
102¾	100⅝	Exch. 13¼pc 1987	101½	....	13.05	9.85
100⅞	97¾	Treas 10¼pcCv '87	100¾xd	....	10.23	9.83
97⅞	92¾	Exch 2½pc 1987	97¾xd	+⅛	2.55	6.92
101⅛	97½	Exch. 10½pc 1987	100⅝	+⅛	10.46	9.83
98⅝	93⅝	Funding 6½pc '85-87‡‡	98¼	....	6.62	8.89
101⅛	96⅞	Treas. 10pc 1987	100⅛	+⅛	9.99	9.79
97⅛	90⅞	Treas 3pc 1987	96⅛	+⅛	3.11	7.12
104½	99⅛	Treas. 12pc 1987	102⅞	+⅛	11.72	9.85
99¼	92⅝	Treas 7¾pc 1985-88‡‡	98¼	+⅛	7.89	9.10
104	96¼	Exch 10½pc '88	101	+⅛	10.39	9.84
102⅝	95¼	Treas 9¾pc Cv '88	99⅜	+⅛	9.75	9.77
94¼	86⅝	Transport 3pc '78-88	93⅛	+⅛	3.21	6.92
102½	93⅝	Treas. 9½pc '88	99⅛	+⅛	9.55	9.75
107⅛	98⅛	Treas 11½pc 1989	103⅜xd	+⅛	11.06	9.72
103½	93½	Treas 9½pc Cnv. '89	99⅝	+⅛	9.53	9.63
92⅛	82⅛	Treas 3pc 1989	89¼	....	3.34	7.10
105⅛	95⅛	Treas 10½pc 1989	101⅜	+⅛	10.30	9.69
104⅛	94⅛	Exch 10pc 1989	100⅝xd	+⅛	9.94	9.76
107⅛	97	Exch 11pc 1989	103⅛	+⅛	10.63	9.68
93⅛	84½	Treas 5pc 1986-89	91⅛	+⅛	5.46	8.07
110⅛	94⅞	Exch 10½pcCv '89	105⅛	+⅛	9.75	8.38
114⅛	103⅛	Treas 13pc 1990‡‡	110	+⅛	11.82	9.52
108⅛	97⅛	Exch 11pc 1990‡‡	104¼xd	+⅛	10.55	9.59
113⅛	101⅛	Exch. 12½pc 1990	108⅛	+⅛	11.51	9.64
89⅛	79⅞	Treas. 3pc 1990	86⅛	+⅛	3.47	7.18

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

1986 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
37⅛	29¼	Chemical New York	30½xd	–½	$2.60	—	5.8
35⅛	26⅝	Chesebrough-Pond's $1	31¼	–1	$2.00	—	4.4
31¼	19⅛	Chrysler $6¼	24⅛	–1	66.6c	—	1.9
42¼	33½	Citicorp $4	36⅛xd	–1¼	$2.26	—	4.2
12⅛	774p	CityFed Fin. Corp.	11¼	+⅛	40c	—	2.3
28⅛	21½	Colgate-P. $1	27⅝	–½	$1.36	—	3.4
62⅞	42½	Colt Inds. $1	62⅞xd	....	$2.50	—	2.7
22⅞	16⅝	Cons Freightways $0.625	18⅞	–1⅛	82c	—	3.0
819p	412p	Cont'l Illinois Corp $1	413p	–10	—	—	—
89½p	25p	Cont Illinois Hldgs $1	25p	.....	—	—	—
64p	39p	♦Corporate Data Scnce.	50p	.....	—	—	—
32⅛	24¼	Crown Zell. $5	24¼	+⅛	$1.00	—	2.8
13¼	703p	Cullinet Software $0.1	742p	+14	—	—	—
287p	34p	Damson Oil 40c	38p	+4	—	—	—
23⅛	18⅝	Dana Corp. $1	19¼xd	–⅛	$1.28	—	4.5
33⅝	20¼	Data General	22	–½	—	—	—
24½	12½	♦Devon-Lock Medical	13½	...	—	—	—
79	55¼	Dun & Bradstreet $1	73½	–2½	$2.56	—	2.4
52⅞	42⅞	Eaton Corpn 50c	43⅛	–⅛	$1.60	—	2.5
		For Exxon see Oil and Gas					
23⅞	18⅝	FPL Group $0.01	23¼	–⅛	$2.04	—	6.0
12⅛	625p	Fairmont Fin.	11½	–⅛	—	—	—
11½	531p	Fin. Corpn. Amer. 50c	581p	–20	—	—	—
23⅞	19⅛	First Chicago $5	20⅛	–⅛	$1.32	—	4.5
38⅝	25¼	Ford Motor $2	37½	–1⅛	$2.20	—	4.0
28⅝	20	GATX 62½c	21¼	–⅛	$1.50	—	4.7
54⅞	47⅞	Gen. Elect. $1¼	49⅛	–1⅛	$2.32	—	3.2
16⅛	612p	♦General Host Corp $1	13⅛	–⅞	22c	—	1.1
32⅞	24	Gillette $1	29½xd	–1⅛	$2.72	—	6.3

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- \# Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Albany Inv 20p	60	....	Fin. 13% 97/02	£115¼	−1
Craig & Rose £1	£11	....	Arnotts	325	....
Finlay Pkg. 5p	43½	....	CPI Hldgs	43	....
Holt (Jos) 25p	885	....	Carrol Inds.	155	+5
IoM Stm. £1	86	....	Dublin Gas	53	....
			Hall (R. & H.)	70	....
IRISH			Heiton Hldgs.	31	....
Fund 11¼% 1988	£101	−½	Irish Ropes	95	....
Nat. 9¾% 84/89	£98¼	−½	Unidare	205	....

"Recent Issues" and "Rights" Page 31 (International Edition Page 25)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
July 14	July 24	July 25	Aug 4
July 28	Aug 7	Aug 8	Aug 18
Aug 11	Aug 28	Aug 29	Sept 8

* "New-time" dealings may take place from 9.30 am two business days earlier.

Institutional demand causes smart turnround in equity leaders

A steadier performance by sterling in foreign exchange markets enabled confidence to rebuild in London share and bond market yesterday. The recovery, measured by a rise of 0.5 to 72.3 in the exchange rate index, countered the adverse effects of Wall Street's fresh weakness on Monday. It quickly imparted a better feeling to Gilt-edged and subsequently caused an impressive turnround in the equity market.

Dealers lowered bond prices a fraction at the opening to test the market for buyers. The response was immediate and trade eventually improved substantially on the previous session's volume. Selected longer maturities regained ¼ before easing in line with Gilt futures indications to close around ¼ up on the day. Conventional shorts and index-linked stocks also rallied from their recent low levels.

Equity market sentiment was initially clouded by mounting concern over the US trade position, which knocked 36 points off the Dow Jones index overnight. Both main FT indices displayed double-figure falls within 30 minutes of the start but the losses were gradually reduced. Traders were resigning themselves to another mundane trading session when around midday institutional buying interest began to revive.

Publication of an opinion poll revealing a revival in the Government's fortunes aroused more enthusiasm which swept aside the latest gloomy Confederation of British Industry survey on UK business trends; this suggested that output was continuing flat. Throughout the remainder of the afternoon investors were busy and come the end of the day dealers reported having sold much of the stock acquired through the previous Account's sell-off.

A report that Opec ministers had made progress towards cutting production from current levels was another helpful influence, and the indices settled at the session's best. The FT-SE 100 share index regained a fall of 12.6 to end 7 points up at 1,556.4, while the FT Ordinary share index closed 7.8 higher at 1,271.6, after 1,253.7.

Composites retreat

Publicity given to stockbroker Messel's bearish circular on Composite Insurances prompted marked weakness in the sector. Dealers marked quotations sharply lower at the outset and ensuing selling left early falls ranging to nearly 30 in places. However, cheap buyers appeared at the lower levels and a good rally soon followed. GRE, sold down to 838p at one stage, closed 19 lower on balance at 849p, but Sun Alliance finished only a penny easier at 689p, after 670p. General Accident relinquished 6 at 819p, after 813p and Commercial Union cheapened 3 at 304p, after 301p. Royals recovered from an initial level of 830p to close a couple of pence dearer on balance at 844p. Lloyd's Brokers were featured by a speculative rise of 8 to 363p in Sedgwick on take-over hopes. Hogg Robinson hardened a penny to 316p; the company announced yesterday the acquisition of two firms of estate agents.

NatWest touched 522p on news of the better-than-expected 33.5 per cent interim profits increase to £482m before reacting on profit-taking to close only 5 higher on balance at 517p. Midland, awaiting tomorrow's first-half profits where dealers are anticipating profits around £300m-£310m, improved a few pence at 548p, after 550p. Lloyds cheapened a few pence at 395p, after 400p, while Barclays, scheduled to conclude the dividend season on August 7, softened a penny at 527p, after 535p.

Having marked time for most of the session, leading Breweries responded to good support after-hours and finished at the day's best. Bass were outstanding and put on 15 to 770p, while Whitbread "A" improved 5 to 270p. Regionals also made selective progress with Greene King 6 to the good at 211p and Belhaven a penny dearer at 62p, after 60p.

Sentiment in the Building sector improved as the session wore on and the leaders, having experienced an early mark-down, generally recovered to close firmer on balance. Blue Circle finished 6 higher at 581p, after 571p, and BPB Industries 5 dearer at 503p, after 493p. Tarmac continued its recent recovery and rose 12 more to 460p, while Taylor Woodrow picked up 5 to 503p. Elsewhere, Cement Roadstone continued to trade firmly and closed 3 higher at a 1986 peak of 121p. A burst of speculative buying boosted USM-quoted Polypipe 17 to 140p in a restricted market. On the other hand, profit-taking clipped a couple of pence from Raine Industries at 75p and 6 from Derek Crouch at 167p. Gleeson found support at 385p, up 8, but Berkeley Group shed that much, to 432p, while A. Monk drifted off to close 6 cheaper at 118p.

ICI traded quietly and closed virtually unchanged at 994p. Elsewhere in Chemicals Thurgar Bardex, at 57p, lost half the previous day's Press-inspired gain of 6, while Morceau gave up 10 to 280p and William Canning slipped 4 to 106p.

Lincroft Kilgour, 18 higher at 223p following speculative support, provided an isolated feature in Stores. Elsewhere, Etam moved up 4 at 242p and Millets improved 5 at 215p.

Brit. Telecom revive

British Telecom, depressed recently by political considerations, staged a good revival on persistent buying to close 6 higher at 188p. Cable and Wireless, also a dull market recently under similar circumstances, picked up in the late dealings to finish 8 better at 655p. Other leading issues ended on a firm note, after showing losses of a few pence at the outset. GEC settled 4 better at 192p and Plessey a couple of pence up at 200p. Racal continued to make progress at 180p, up 4 having been down to 172p at one stage.

Interest in the Engineering sector remained at a relatively low ebb. Leading issues followed the trend with GKN settling 4 up on the day at 335p, after 330p. Elsewhere, buying ahead of next week's interim statement left Rotork 8 higher at 133p. Carclo were also noteworthy for a gain of 13 at 403p, while revived speculative activity left Wellman 2½ dearer at 43½p. Simon, down to 223p initially, recovered on the appearance of buyers to close 3 better on the day at 231p.

Business in the Foods expanded from the recent low levels, but the leaders displayed no discernable trend. Cadbury Schweppes eased to 163p initially, but picked up on rumours of a "buy" recommendation from US broker Kidder Peabody to close 2 firmer on balance at 168p. Rowntree Mackintosh were finally unchanged on balance at 402p, after 398p, but Unigate encountered scrappy selling and shed 7 to 275p, while United Biscuits, firm late on Monday following a brace of broker's circulars, slipped a couple of pence to 233p. Food Retailers remained in the doldrums. Kwik Save lost 4 to 256p and J. Sainsbury softened a couple of pence to 370p. Bejam eased 2 to 169p, while Dee Corporation closed unchanged at 230p, after 228p, despite the satisfactory annual results. Dealings resumed in Barker and Dobson in ex rights form and the price settled ½ cheaper at 13½p; the new nil paid shares opened at 1p premium and closed at 1½p premium.

Traded option activity and reports of overseas buying gave a boost to Grand Metropolitan which closed 13 higher at the day's best of 383p. Trusthouse Forte edged up 3 to 154p in sympathy. Profit-taking in the absence of the rumoured take-over developments left Norscot Hotels 6 down at 122p, but further demand ahead of today's half-year figures put Mount Charlotte a penny dearer at 89p.

Hargreaves higher

Hargreaves continued to move ahead following the unwelcome cash and share exchange offer from Coalite, closing 5 dearer at 235p for a two-day gain of 55; Coalite eased 3 more to 289p making the offer worth just over 222p per share. Elsewhere in the miscellaneous industrial sector, renewed speculative demand left Metal Closures 13 higher at 155p, after 158p. Press comment directed buying attention to Johnson Matthey which rose 8 to 193p, while Stainless Metalcraft improved 5 to 180p in response to acquisition news. Parkfield Group, in contrast, met with profit-taking after the preliminary figures and gave up 10 to 525p, but Whitecroft, encouraged by the chairman's annual statement, firmed 5 to 222p. Occasional demand left BBA Group 8 dearer at 218p, while speculative activity continued in Times Veneer which improved 3½ to 64½p. Leading issues opened a few pence lower, but selective support prompted a small improvement and most quotations ended the day with little alteration. BOC, however, finished 3 firmer at 306p, the third quarter figures are expected on 7 August.

Television South lost 12 to 223p following details of a £19.3m rights issue to finance US and French acquisitions.

T. Cowie were outstanding in Motors, rising 8 afresh to 192p as investors continued to hope for bumper interim profits when the company report on Monday; at the same time, buyers are also looking for imminent developments concerning the group's proposed flotation of 50 per cent of its contract hire and leasing business. Elsewhere, Jaguar dropped to 503p before rallying smartly to finish only a couple of pence off at 511p.

In Paper/Printings, Holmes and Marchant hardened 5 at 665p following news of the application for a full stock-market listing and the proposed 100 per cent scrip-issue. Gold Greenless Trott improved 5 to 210p after the satisfactory results and Boase Massimi added 6 to 251p in reply to the rights issue result. DRG recovered from an initial dull level of 268p to close only 2 easier at 276p.

Property leaders opened a few pence lower, but generally recovered following the appearance of "cheap" buyers to close a shade firmer for choice. MEPC finished 3 better at 333p, after 328p, while Land Securities were finally unchanged at 322p, after 320p. British Land revived with an improvement of 3 at 170p. Elsewhere, Percy Bilton touched 300p in reply to Press comment highlighting bid possibilities before profit-taking left the close only a couple of pence dearer on balance at 294p. Newspaper mention boosted rumoured "shell" situation Parkdale 5 to a peak of 86p, while Imry rose 15 to 310p awaiting news from the annual meeting. Rosehaugh attracted further buying interest at 615p, up 20, but Regalian slipped 15 to 575p. Abaco attracted late support and closed 2 better at 69p, after 65p.

Profit-taking in the wake of the interim figures saw Burmatex touch 178p before closing 8 lower on balance at 186p. Elsewhere in Textiles, Courtaulds softened a couple of pence at 263p.

Plan Investment highlighted Financial Trusts, rising 18 to 123p following news of the share exchange bid from Stakis, a penny dearer at 64p. NMC Investments, still reflecting the Saatchi brothers' combined stake in the company of nearly 39 per cent, rose 10 more to 145p, while Amalgamated Financial advanced 4½ to 28½p, after 30p, following a sudden flurry of speculative buying. Authority Investments, meanwhile, plummeted 90 to 330p on the announcement that the offer from Messrs Backhouse, Campbell and Inns had been extended to August 14; the tender offer from Berkley House lapsed on Monday. Mercantile House gave up 8 at 292p on profit-taking ahead of today's preliminary results.

Britoil rally

Reports that OPEC ministers had made a certain amount of progress towards cutting group production at the meeting in Geneva induced stability to the Oil sector where share prices often opened lower in the wake of Wall Street's fall overnight. Business, however, was very light and quotations, having recovered from the initial markdown, failed to make any worthwhile progress. BP closed unchanged on the day at 565p, while Shell edged up 5 to 800p. Britoil, having fallen sharply in the wake of Friday's dismal results, staged a minor rally to close 4 better at 105p. Enterprise improved a couple of pence to 96p, but Burmah lost 3 at 381p. Elsewhere, New London Oil touched 21p prior to closing a penny up at 18p following the acquisition of certain oil and gas interests and working capital of $700,000 from Guinness Peat in exchange for an issue of 8m New London shares. Conroy Petroleum, a firm market of late, moved up to a 1986 peak of 167p before easing back to close unchanged at 160p.

In Overseas Traders Lonrho fell 10 to 228p following adverse comment.

South African Golds took Monday's rally a stage further. An improved performance by the Financial Rand against the dollar initially stimulated a useful two-way business in top-quality stocks, but dealers later reported occasional nervous offerings reflecting easier indications from the US. Many investors were again thought to be content to remain on the sidelines awaiting the outcome of the European Community's peace mission to the Republic.

Bullion proved to be less of a factor than of late, closing $1 lower at $352.5 an ounce, but the FT Gold Mines index advanced 5.7 to 205.0 — the highest level for over a month. Gains among heavyweight Golds extended to a point as in Vaal Reefs at £37¼, Western Deep, £17⅞, and Randfontein, £44, put on around a half-point apiece. Smaller-priced issues showed rises of 14 in Welkom, 328p, and Blyvoor, 272p, while Grootvlei closed 11 higher at 185p.

The current buoyant Platinum price — a result of revived fears of a supply shortage — lifted Rustenburg and Impala 30 and 35 respectively to the common level of 615p; the latter's preliminary figures are scheduled for mid-August.

South African Financials mirrored Golds. Anglovaal improved ¾ more to £35½, while GFSA hardened 30 to 894p. London-domiciled counters were irregular. Consolidated Gold Fields rose a few pence to 427p, but RTZ met sporadic selling and shed 6 to 544p. East Rand Consolidated, in receipt of sizeable country support recently, hardened 2 to 39p.

An improved showing by overnight Sydney and Melbourne markets failed to stimulate activity in London. Leading resource issues gave up most of the gains established on Monday with CRA 6 off at 228p and Peko-Wallsend 7 cheaper at 209p. Australian Golds, however, remained firm with gains of 5 common to Gold Mines of Kalgoorlie, 360p, and Central Norseman, 353p. Sons of Gwalia hardened a couple of pence to 202p following news of record production at its operations in Leonora, Western Australia.

Traded options

Traded Option volume improved as a livelier session in the underlying securities prompted operators to take out fresh positions. A useful and evenly-balanced business developed in the FT-SE 100 index contract which attracted 1,189 calls and 1,098 puts. Elsewhere, attention focussed on British Telecom which contributed 2,450 calls and 671 puts. Total contracts done amounted to 16,185.

FINANCIAL TIMES STOCK INDICES

	July 29	July 28	July 25	July 24	July 23	Year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	89.04	88.88	89.19	89.19	88.86	83.87	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.74	95.76	96.03	95.83	95.65	88.74	97.68 (16/4)	86.55 (23/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,271.6	1,263.8	1,263.7	1,264.2	1,286.8	936.0	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	205.0	199.3	196.7	195.9	197.2	335.9	357.0 (27/1)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.34	4.36	4.36	4.36	4.27	4.98				
Earnings Yld.% (full)	10.38	10.42	10.43	10.49	10.32	12.29				
P/E Ratio (net) (*)	11.73	11.68	11.67	11.59	11.78	10.02				
Total Bargains (Est)	22,326	23,620	22,886	22,986	23,021	20,229				
Equity Turnover £m.	—	458.11	526.09	521.66	482.98	364.46				
Equity Bargains	—	19,068	23,801	19,574	18,858	22,065				
Shares Traded (mil).	—	239.2	263.6	238.2	212.1	181.9				

S.E. ACTIVITY

Indices	July 28	July 25
Gilt Edged Bargains	107.7	110.2
Equity Bargains	125.5	154.2
Equity Value	926.0	1,063.4
5-Day Average		
Gilt Edged Bargains	117.1	121.2
Equity Bargains	131.2	134.3
Equity Value	967.6	958.5

♥ Opening 1254.6 | 10 a.m. 1255.3 | 11 a.m. 1259.7 | Noon 1262.1 | 1 p.m. 1263.1 | 2 p.m. 1263.4 | 3 p.m. 1266.7 | 4 p.m. 1269.9

Day's High 1271.6. Day's Low 1253.7.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.33.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tuesday July 29 1986: Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Mon July 28 Index No.	Fri July 25 Index No.	Thurs July 24 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (212)	690.64	+0.3	8.80	3.55	14.35	10.59	686.95	686.65	691.96	495.86
2 Building Materials (26)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	535.30
3 Contracting, Construction (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	815.85
4 Electricals (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1320.16
5 Electronics (38)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (61)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (185)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household Products (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Publishing & Printing (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Packaging and Paper (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (39)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Tobaccos (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (88)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Chemicals (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Office Equipment (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Shipping and Transport (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Miscellaneous (49)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (485)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (117)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (50)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (101)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (734)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Index No.	Day's Change	Day's High	Day's Low	July 28	July 25	July 24	July 23	July 22	Year ago
FT-SE 100 SHARE INDEX ‡	1556.4	+7.0	1566.4	1536.8	1549.4	1545.8	1547.7	1572.3	1559.2	1252.3

FIXED INTEREST

PRICE INDICES	Tues July 29	Day's change %	Mon July 28	xd adj. today	xd adj. 1986 to date
British Government					
1 5 years	121.99	+0.12	121.84	—	6.89
2 5-15 years	140.32	+0.29	139.91	—	7.99
3 Over 15 years	148.04	+0.31	147.58	—	7.93
4 Irredeemables	163.40	-0.08	163.53	—	7.27
5 All stocks	136.63	+0.24	136.31	—	7.68
Index-Linked					
6 5 years	113.25	+0.22	113.00	—	1.18
7 Over 5 years	115.02	+0.21	114.77	—	1.99
8 All stocks	114.67	+0.21	114.42	—	1.90
9 Debentures & Loans	119.79	+0.16	119.61	—	5.85
10 Preference	84.57	+0.01	84.56	—	3.73

AVERAGE GROSS REDEMPTION YIELDS		Tues July 29	Mon July 28	Year ago (approx.)
British Government				
1 Low Coupons	5 years	8.24	8.26	9.95
2	15 years	9.25	9.25	10.89
3	25 years	9.22	9.28	10.18
4 Medium Coupons	5 years	9.51	9.54	10.74
5	15 years	9.55	9.57	10.84
6	25 years	9.55	9.59	10.45
7 High Coupons	5 years	9.64	9.59	10.84
8	15 years	9.76	9.80	10.87
9	25 years	9.55	9.60	10.51
10 Irredeemables		9.22	9.22	9.62
Index-Linked				
11 Inflat'n rate 5%	5 yrs	3.86	3.96	[illegible]
12 Inflat'n rate 5%	Over 5 yrs	3.56	3.57	[illegible]
13 Inflat'n rate 10%	5 yrs	2.44	2.69	[illegible]
14 Inflat'n rate 10%	Over 5 yrs	3.40	3.41	[illegible]
15 Debs & Loans	5 years	10.05	10.09	11.35
16	15 years	10.44	10.45	11.26
17	25 years	10.44	10.45	11.26
18 Preference		10.88	10.88	12.45

‡Opening index 1539.2; 10 am 1540.1; 11 am 1544.4; Noon 1547.2; 1 pm 1549.6; 2 pm 1549.5; 3 pm 1551.0; 3.30 pm 1554.0; 4 pm 1554.2

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (28)

BANKS (1) First Pacific Hldgs. BREWERS (1) Brown (Matthew). BUILDINGS (2) Cement-Roadstone, Gleeson (M. J.). CHEMICALS (1) Coalite Bros. STORES (1) Lincroft Kilgour. ELECTRICALS (1) Plessey. ENGINEERING (2) Dortland Stampings, Hobson. FOODS (1) Safeway. INDUSTRIALS (5) Hargreaves, Hutchison Whampoa, Jardine Hldgs, Malaysian, Times Veneer. PAPER (1) Thorpac. PROPERTY (2) Peachey, Priest Marians. TRUSTS (8) Govett Oriental, M & G 2nd Dual Inc., TR Pacific Basin, US Deb Corp. Amalgamated Financial Invs., Berkeley Technology, NMC Invs., Parish (J. T.), Plan Invest. OILS (1) Conroy Pet Nat Res.

NEW LOWS (69)

AMERICANS (7) Amax, Amfac, BASIX Corp, Bethlehem Steel, CBS Corp, Hospital Corp Amer., Insilco. CANADIANS (2) Gulf Can., Inco. BANKS (3) Bank Leumi Le-Israel, Mercury Intl, Schroders NV. CHEMICALS (2) Leigh Interests, Moreau. ELECTRICALS (6) Goring Kerr, Intl Signal & Control, Norsk Data A, Process Systems, Sintrom, Wayne Kerr. ENGINEERING (3) Locker (T.) A, SPP, Wyndham. FOODS (4) Argyll Group, Baileys, Cullen's, Fitch Lovell. HOTELS (1) Aberdeen Steak Houses. INDUSTRIALS (8) ESR, Colorgen Inc, Diploma, Ekem AS, Hawley Cnv Red Pf., Limopex, Porcelain, Marling Inds, Toye. INSURANCE (3) Abbey Life, Heath (C. E.), London & Manchester Group. LEISURE (1) Aspinall. MOTORS (1) Gen Motor Units. PAPER (4) Crown Intl Prods, Good Relations, Klearfold Inc, Waterhouse. TRUSTS (7) American Trust, Do. B, First Charlotte Assets, GBC Capital, Independent Inv, Abinsworth Invest Trust. OILS (6) Claremont Pet, Sapphire Pet, Tricentrol, [illegible]. MINES (2) Geevor Tin, Musto Explore.

BASE LENDING RATES

	%		%
ABN Bank	10	Exeter Trust Ltd	10½
Allied Arab Bank Ltd	10	Financial & Gen. Sec	10
Allied Dunbar & Co	10	First Nat. Fin. Corp	11
Allied Irish Bank	10	First Nat. Sec. Ltd	11
American Express Bk	10	● Robert Fleming & Co	10
Amro Bank	10	Robert Fraser & Ptrs	10
Henry Ansbacher	10	Grindlays Bank	‡10
Associates Cap Corp	10	● Guinness Mahon	10
Banco de Bilbao	10	● Hambros Bank	10
Bank Hapoalim	10	Heritable & Gen. Trust	10
Bank Leumi (UK)	10	● Hill Samuel	§10
Bank Credit & Comm	10	C. Hoare & Co	10
Bank of Cyprus	10	Hongkong & Shanghai	10
Bank of Ireland	10	Knowsley & Co. Ltd	10½
Bank of India	10	Lloyds Bank	10
Bank of Scotland	10	Mase Westpac Ltd	10
Banque Belge Ltd	10	Meghraj & Sons Ltd	10
Barclays Bank	10	Midland Bank	10
Benchmark Trust Ltd	10	● Morgan Grenfell	10
Beneficial Trust Ltd	11	Mount Credit Corp. Ltd	10
Berliner Bank AG	10	National Bk. of Kuwait	10
Brit. Bk. of Mid. East	10	National Girobank	10
● Brown Shipley	10	National Westminster	10
CL Bank Nederland	10	Northern Bank Ltd	10
Canada Permanent	10	Norwich Gen. Trust	10
Cayzer Ltd	10	PK Finans. Intl (UK)	10½
Cedar Holdings	10	Provincial Trust Ltd	11
● Charterhouse Bank	10	R. Raphael & Sons	10
Citibank NA	10	Roxburghe Guarantee	11
Citibank Savings	¶10¾	Royal Bank of Scotland	10
City Merchants Bank	10	Royal Trust Co. Canada	10
Clydesdale Bank	10	Standard Chartered	10
Comm. Bk. N. East	10	Trustee Savings Bank	10
Consolidated Credits	10	UDT Mortgage Express	10½
Continental Trust Ltd	10	United Bank of Kuwait	10
Co-operative Bank	10	United Mizrahi Bank	10
The Cyprus Popular Bk	10	Westpac Banking Corp	10
Duncan Lawrie	10	Whiteaway Laidlaw	10½
E.T. Trust	10½	Yorkshire Bank	10
Equatorial Tst Corp. plc	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£25,000+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. † Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C / GOLD P / SFL C / SFL P / ABN / AEGN / AHOLD / AKZO / AMEV / AMRO / GIST / HEIN / HOOG / KLM / NEDL / NATN / PHIL / RD / UNIL	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	$352.40

TOTAL VOLUME IN CONTRACTS: 18,635

A=Ask B=Bid C=Call P=Put

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
July 21	Aug 1	Oct 23	Nov 3
Aug 4	Aug 15	Nov 6	Nov 17
Aug 18	Sept 5	Nov 20	Dec 1

For rate indications see end of Unit Trust Service

Money was given for the call of York Mount, Cray Electronics, Kode International, Thomas Marshall (Loxley), Raglan Property Trust, Britoil, Amstrad Consumer Electronics, Parkfield, York and Equity, Hawley, Prestwich, Nolton, Combined Technologies, International Signal and Control, Grovebell, Abaco Investments, Hawtin, Dweck, British Benzol, Blackwood Hodge, Glanfield Lawrence, Carless Capel, Chancery Securities, Beecham, East Rand Consolidated, Enterprise Gold, Cannon Street Investments, Burndene, Plessey and Barker and Dobson. Puts were taken out in Lonrho, Benlox, Metal Box and C. & W. Walker, while double options were transacted in Dixons and Intervision Convertible.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	100	1	14
Corpns. Dom. and Foreign Bonds	12	4	83
Industrials	183	402	819
Financial and Props.	73	213	282
Oils	16	20	52
Plantations	3	3	11
Mines	58	29	39
Others	48	114	100
Totals	496	786	1,570

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Mon. close	Day's change
ICI	16	995	+1
Britoil	15	101	-9
Sainsbury (J.)	15	354	+32
Brit. Telecom	13	182	+4½
Cable & Wire.	13	647	+2
Times Veneer	13	62	[illegible]
Unit Scientific	12	185	+15
Hargreaves	12	230	-50
Hawley Group	12	34	+7
Reuters B	11	503	+3
Shell Trans.	11	795	+5
Tarmac	11	448	+10

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change
Bilton (Percy)	294	+2
Blue Circle	581	+6
Brit. Aerospace	473	+6
BP	565	—
Burmatex	186	-8
Comm. Union	304	-3
DRG	276	-2
ICI	994	-1
Jaguar	511	-2
Pilkington Bros.	408	-5
Sun Alliance	689	-1

LONDON TRADED OPTIONS

Option		CALLS			PUTS		
Allied Lyons / B.P. / Cons. Gold / Courtaulds / Com. Union / Cable & Wire / Distillers / G.E.C. / Grand Met. / I.C.I. / Land Sec. / Marks & Spen. / Shell Trans. / Trafalgar House / Midland Bk. / P. & O. / Racal / R.T.Z. / Vaal Reefs / Tr. 11¾% 1991 / Tr. 11¾% 03/07 / Beecham / Boots / BTR / Bass / Blue Circle / De Beers / Dixons / Glaxo / GKN / Hanson / Imperial Gr. / Jaguar / Lucas / Thorn EMI / Tesco / Brit. Aero / BAT Inds. / Barclays / Brit. Telecom / Cadbury Schweppes / Guinness / Ladbroke / LASMO / FT-SE Index	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

July 29. Total contracts 16,185. Calls 9,610. Puts 6,575. *Underlying security price.

WORLD STOCK MARKETS

AUSTRIA

GERMANY

NORWAY

AUSTRALIA (continued)

JAPAN (continued)

BELGIUM/LUXEMBOURG

SPAIN

DENMARK

SWEDEN

HONG KONG

ITALY

SWITZERLAND

FRANCE

JAPAN

SINGAPORE

NETHERLANDS

AUSTRALIA

SOUTH AFRICA

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Prices at 2.30pm. July 29

MONTREAL

Closing prices July 28

F—No voting rights or restricted voting rights.

Total Sales 2,313,743 shares

Indices

NEW YORK

STANDARD AND POORS

N.Y.S.E. ALL COMMON

NYSE-Consolidated 1500 Actives

Advances 485 Declines 1,828

TORONTO	July 29	July 28	July 25	July 24	1986 High	1986 Low
Metals & Minls	1,954.5*	1,954.1		1,984.5	2,442.85 (21/3)	1,934.0 (18/7)
Composite	2,933.1*	2,940.9	2,957.5	2,952.5	3,129.11 (18/4)	2,754.6 (17/2)
MONTREAL Portfolio	1,458.88*	1,464.13	1,481.76	1,479.89	1,623.33 (18/4)	1,388.6 (22/1)

* Indicates pre-close figure

* Saturday July 26: Japan Nikkei 17,598.3. TSE 1,445.90.

Base value of all indices are 100 except Brussels SE—1,000; JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 35

LONDON

Chief price changes
(In pence unless otherwise indicated)

RISES

Tr 10% 2003	£104¼	+ ½
Tr 2½% IL '29	£94¾	+ ¼
Am Fin Inv	28½	+ 4½
Bass	770	+15
British Tel	188	+ 6
Britoil	105	+ 4
Cowie (T.)	192	+ 8
Grand Met.	383	+13
Impala Plat	615	+35
Jason Matthey	193	+ 8
Lincroft K	223	+18
NMC Invs.	145	+10
Parkdale	86	+ 5
Plan Invest	123	+18
Polypipe	140	+17
Rotork	133	+ 8
Sedgwick	363	+ 8
Tarmac	460	+12

FALLS

Authority Invs.	330	−90
Burmatex	186	− 8
GRE	849	−19
Lonrho	228	−10
TVS N/Vtg.	223	−12
Unigate	275	− 7

Prices at 3pm, July 29

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28½	13½	AAR s	.44	2.0	17	136	22	21½	21⅝	-⅛
30	21¾	ADT	.92	4.0		473	23¼	23	23⅛	+¼
30	11½	AFG s			17	284	30¼	30	30¼	
25⅜	13¾	AGS			12	59	17¾	17½	17¾	+⅜
60⅝	37½	AMR			13	3729	51⅞	50⅝	51¾	+1
24	19½	ANR pf 2.12		9.3		2	22⅞	22⅞	22⅞	+⅛
12½	8½	APL			6	18	11½	11⅜	11⅜	-⅛
16¾	11⅛	ARX	.71t	6.1	11	42	11¾	11½	11⅝	+⅜
48⅛	28¾	ASA	2a	6.5		482	31	30⅝	30¾	-⅜
18⅜	10½	AVX		3.0		155	10⅞	10½	10½	-¼
32	22⅝	AZP	2.72	9.5	8	x1582	29⅜	28½	28⅝	-⅞
55	26⅝	AbtLb s	.84	1.7	22	1585	49¼	48½	48¾	-¾
32	19⅝	AccoWd	.56	2.1	50	39	26½	26	26½	+¼
15¼	9⅛	AcmeC	.40	4.0		49	10⅛	9⅝	10⅛	+⅝
9¼	7	AcmeE	.32b	4.2	19	4	7⅞	7⅝	7⅝	-⅛
21	17	AdaEx	1.90e	9.2		63	20¾	20⅝	20⅝	
33⅜	16	AdmMl	.40	1.3	14	123	31⅜	31	31	-½
20⅝	11¼	AdvSys	.93t	4.9	15	69	17	16½	16⅞	
32½	14⅛	AMD				2426	14⅞	14½	14¾	
12⅝	6⅝	Adobe n			45	6⅝	d	6½	6⅝	
18⅜	14⅜	Adob pf 1.84		13		30	14¼	d14¼	14¼	-⅛
20¼	15¾	Adob pf 2.40		14.		125	17	16⅝	16⅞	-¼
18⅝	7⅜	Advest	.12a	.8	12	270	15¾	15½	15½	-⅜
66¼	42¼	AetnLf	2.64	4.4	10	1226	60⅜	59⅞	60	-⅜

Continued on Page 35

NYSE COMPOSITE PRICES

Continued from Page 34

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
72¼	45¾	Xerox	3	5.7	16	2606	52¾	52¼	52¾	
58¼	53½	Xerox pf5.45		9.6		3	57	57	57	−¼
28¾	20⅝	XTRA	.64	2.6		48	22¾	22¼	22½	
17⅝	13½	Yorkin n				295	15¾	15¼	15½	−⅛
39	26¼	ZaleCp	1.32	3.9		136	34½	34	34¼	−¼
10⅞	3½	Zapata	.03j			203	4	3⅞	3⅞	
43⅞	23⅛	Zayre s	.32	.9	22	2461	35½	34¾	35½	+¾
17	11⅝	Zemex	.40	3.4	12	2	11⅝	11⅝	11⅝	+⅛
29⅞	15¼	ZenithE				337	22⅞	22¼	22¼	−¼
18¼	8⅝	ZenLb s			13	2038	11	10¼	10¼	−½
22⅞	14¾	Zero s	.29	1.7	16	49	17	16⅝	16⅝	−⅜
45¾	33	Zurnin	1.32	4.0	12	268	33½	33	33	−⅜

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, July 29

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 33

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Determined bid for stability

A DETERMINED attempt to stabilise sentiment and stock prices was made on Wall Street yesterday after the sharp setback suffered on Monday, *writes Paul Hannon in New York.*

The bond market, which had dropped steadily over the previous five sessions, recovered slightly with gains of up to ¾ of a point in key Treasury issues.

At 2pm the Dow Jones industrial average was 4.07 lower at 1,769.83.

Among blue chips, IBM continued to lose more ground with its early $¾ decline to $131⅝, General Motors added $¼ to $69¼, while Ford held steady at $55 despite an optimistic forecast for the second half.

American Can slipped $¾ to $82⅝ and Merck, at $103⅝, was $⅝ higher.

Computer issues featured with a $¼ gain for Digital Equipment at $88¾ in response to the micro-computer maker's surge in fourth-quarter earnings. Cray Research dropped $2⅛ to $85¾ and Burroughs, at $65⅞, was $⅜ cheaper.

E. F. Hutton gained another $1⅛ to $38⅞ on persistent speculation that the brokerage firm is about to be taken over. Hutton shares have risen $5⅝ in three days.

Morgan Stanley picked up $½ to $66 in further response ot its higher second-quarter figures. Merrill Lynch added $¾ to $33¾ on its proposed disposal of a leasing subsidiary that will realise a $70m gain.

Chase Manhattan was actively traded $¼ down to $38⅞ despite announcing plans to dispose of its Computer Power subsidiary. Among other banks, BankAmerica held steady at $13 while First Interstate Bancorp fell $1 to $60⅞.

Coco-Cola dipped $⅝ to $39⅞ on reports that the group had made its bid for Dr Pepper, another soft drinks manufacturer, in an attempt to jeopardise the Pepsico acquisition of Seven-Up on anti-competition grounds.

Wendy's, the third largest hamburger chain in the US, fell $¼ to $13½ on reports that the group was selling its UK unit for $10m. Safeway, which jumped $4⅝ on Monday on the Kohlberg Kravis Roberts leveraged buyout plan, shed $⅝ to $65⅞ on profit-taking while Sears recouped $1⅜ of its Monday loss to $42⅝. Dart, the unsuccessful bidder for Safeway, fell another $3 to $148 in over the counter trading.

Santa Fe Southern Pacific, which may have to sell one of its merged rail networks to comply with an Interstate Commerce Commission ruling, regained $⅝ to $28, while Burlington Northern dropped $1⅛ to $51⅛.

Among active steelmakers, LTV regained $⅛ to $3⅛ while USX lost an early $⅛ but later firmed $⅛ to $17⅛ on its $14m profit for the second quarter.

Bethlehem Steel fell a further $¼ to $9½ while Armco's higher second-quarter loss resulted in a $⅛ drop to $6⅞.

Oils continued to slip amid the unease over the outcome of the Opec meeting on prices and production. Exxon shed $¼ to $58⅛ and Texaco gave up $¼ to $29⅛. Pennzoil was $⅜ cheaper at $54⅛

Global Marine, the offshore oil and gas driller, was unchanged at $1 as it reported a jump in its second-quarter loss to $129m.

Also responding to results were Borden, the chemical to dairy products group, down $⅛ to $44⅞ despite stronger earnings; Transco Energy, the oil and gas exploration and development group, fell $2⅜ to $36½ on higher losses for the last quarter; United Brands, the food services group, rose $⅜ to $28⅜ in thin trading on its higher quarterly profits; and Maytag, the household appliances group, jumped $1⅜ to $45⅝ despite a sharp drop in quarterly earnings.

The bond market staged a modest recovery ahead of today's major Treasury refunding operation.

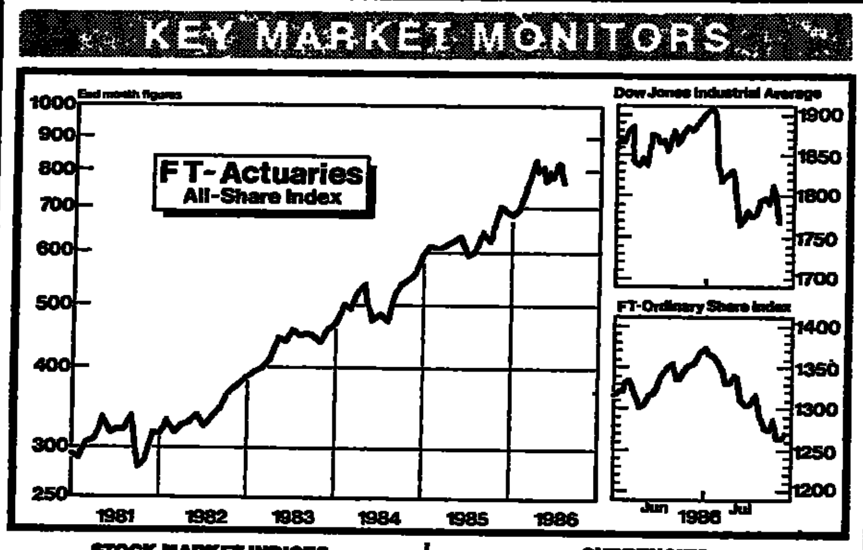
The key long bond, the 7¼ per cent due in 2016, recovered 2⁄32 of its recent plunge to trade at 96 29/32 to yield 7.50 per cent.

The bellwether 10-year bond, 7⅜ due in 1996, recouped 15/32 at 99 21/32 to yield 7.39 per cent.

Federal funds opened at 6 5/16 and held at that level for most of the session.

Rates on Treasury bills were mixed with the three-month bill adding one basis point to 5.87 per cent and the six-month bill unchanged at 5.89 per cent. The one-year bill was two basis points lower at 6.98 per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	July 29	Previous	Year ago
DJ Industrials	1,769.83	1,773.90	1,343.86
DJ Transport	711.50*	713.63	679.78
DJ Utilities	202.46*	203.01	155.26
S&P Composite	234.70*	236.01	189.60
LONDON	July 29	Prev	Year ago
FT Ord	1,271.6	1,263.8	936.0
FT-SE 100	1,556.4	1,549.4	1,248.9
FT-A All-share	769.09	767.86	603.46
FT-A 500	842.13	839.57	658.76
FT Gold mines	205.0	199.3	335.9
FT-A Long gilt	9.55	9.57	10.09
TOKYO			
Nikkei	17,728.94	18,038.94	12,591.4
Tokyo SE	1,434.20	1,456.40	1,044.34
AUSTRALIA			
All Ord.	1,105.1	1,094.7	934.6
Metals & Mins.	500.0	492.1	550.9
AUSTRIA			
Credit Aktien	229.81	230.25	96.01
BELGIUM			
Belgian SE	3,625.59	3,651.46	2,327.23
CANADA	July 29	Prev	Year ago
Toronto			
Metals & Mins	1,954.9*	1,954.1	2,108
Composite	2,933.1*	2,940.9	2,782.4
Montreal			
Portfolio	1,458.66*	1,464.18	137.37
DENMARK			
SE	200.01	202.20	214.89
FRANCE			
CAC Gen	379.00	381.50	215.2
Ind. Tendance	144.90	146.00	79.5
WEST GERMANY			
FAZ-Aktien	602.76	613.31	465.82
Commerzbank	1,809.30	1,843.30	1,367.7
HONG KONG			
Hang Seng	1,860.01	1,847.29	1,683.65
ITALY			
Banca Comm.	729.33	731.63	354.05
NETHERLANDS			
ANP-CBS Gen	281.50	284.30	217.8
ANP-CBS Ind	283.40	285.60	185.2
NORWAY			
Oslo SE	332.92	337.83	347.38
SINGAPORE			
Straits Times	743.44	732.91	777.45
SOUTH AFRICA			
JSE Golds	–	1,331.0	902.6
JSE Industrials	–	1,210.6	968.3
SPAIN			
Madrid SE	173.09	171.83	82.61
SWEDEN			
J&P	2,448.76	2,462.77	1,353.55
SWITZERLAND			
Swiss Bank Ind	507.30	518.90	464.9
WORLD	July 28	Prev	Year ago
MS Capital Int'l	328.4	329.3	220.3

COMMODITIES

(London)	July 29	Prev
Silver (spot fixing)	338.25p	339.95p
Copper (cash)	£884.75	£898.00
Coffee (September)	£1,882.50	£1,893.50
Oil (Brent blend)	$9.20	$8.87

GOLD (per ounce)

	July 29	Prev
London	$352.50	$353.50
Zürich	$352.25	$353.45
Paris (fixing)	$354.16	$354.11
Luxembourg	$354.20	$348.50
New York (Aug)	$352.60*	$355.10

CURRENCIES

(London)	US DOLLAR July 29	Previous	STERLING July 29	Previous
$	–	–	1.4885	1.4815
DM	2.1110	2.1135	3.1425	3.1300
Yen	155.70	155.75	231.75	230.75
FFr	6.84	6.8375	10.18	10.13
SFr	1.69	1.70	2.5150	2.5175
Guilder	2.3785	2.382	3.54	3.53
Lira	1,449.5	1,453.5	2,157.5	2,153.5
BFr	43.60	43.65	64.90	64.65
C$	1.3875	1.3875	2.0650	2.0525

INTEREST RATES

Euro-currencies (3-month offered rate)	July 29	Prev
£	10	10
SFr	5⅝	5
DM	4 7/16	4 7/16
FFr	7⅛	7⅜
FT London Interbank fixing (offered rate)		
3-month US$	6⅜	6⅜
6-month US$	6⅜	6⅜
US Fed Funds	6⅛*	6⅜
US 3-month CDs	6.25*	6.475
US 3-month T-bills	5.875*	6.05

US BONDS

Treasury		July 29* Price	Yield	Prev Price	Yield
6⅞	1988	99 29/32	6.727	99 29/32	6.76
7¼	1993	99 29/32	7.34	99⅝	7.38
7⅜	1996	99 21/32	7.436	99⅝	7.50
7¼	2016	96 29/32	7.529	96⅝	7.56

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index	July 29* Day's change	Yield	Day's change
1–30	152.74	+0.58	7.42	–0.07
1–10	146.12	+0.35	7.16	–0.06
1– 3	137.50	+0.12	6.82	–0.04
3– 5	148.28	+0.37	7.33	–0.07
15–30	178.56	+1.39	8.28	–0.08

Source: Merrill Lynch

Corporate	July 29* Price	Yield	Prev Price	Yield
AT & T				
3⅞ July 1990	91⅛	6.33	90⅞	6.60
SCBT South Central				
10⅜ Jan 1993	105⅜	9.60	106	9.63
Phibro-Sal				
8 April 1996	8.55	96.40	96.72	8.50
TRW				
8⅜ March 1996	8.60	100.95	100.95	8.60
Arco				
9⅞ March 2016	102⅛	9.69	102⅛	9.66
General Motors				
8⅜ April 2016	91⅞	9.02	91	9.00
Citicorp				
9⅜ March 2016	96⅛	9.76	96⅛	9.76

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	96-08	96-15	95-04	95-00
US Treasury Bills (IMM) $1m points of 100%				
Sept	94.27	94.30	94.23	94.23
Certificates of Deposit (IMM) $1m points of 100%				
Sept	n/a	n/a	n/a	93.69
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	93.38	93.38	93.35	93.41
20-year National Gilt £50,000 32nds of 100%				
Sept	120-11	120-17	119-27	119-27

* Latest available figures

EUROPE

Sobered by transatlantic influences

THERE was little comfort for investors in Europe yesterday as all the major bourses ebbed under transatlantic influences and an absence of fresh factors.

Frankfurt, sobered by the overnight slide on Wall Street, got off to a weak start and the Commerzbank index, calculated at midsession, lost 34 to 1,809.3.

However, some later buying developed following release of West Germany's trade surplus figures – the second highest since the Second World War – and the market ended the day on a mixed note.

Banks and retailers scored some gains, but other sectors, particularly cars, steels and electricals, showed losses.

Among banks Deutsche and Commerzbank, with half-year results due this week in the wake of Dresdner's improvement last week, added DM 4 and DM 5 to DM 782 and DM 302 respectively. Dresdner bank was also DM 5 up at DM 406.

Retailers showing improvements included Horten, up DM 4 at DM 196, Kaufhof, which rose DM 8 to DM 456, and Karstadt, DM 7 better at DM 373.

Among the motor manufacturers Daimler lost DM 11 to DM 1,131, bringing its total fall this week to DM 34. Elsewhere in the sector BMW declined DM 4 to DM 486 ex-rights, and VW DM 7.20 to DM 454.

In the chemical sector BASF lost DM 2.10 to DM 243.90, Bayer DM 1.50 to DM 266.50 and Hoechst DM 1 to DM 244.50.

Bonds closed mixed showing gains and losses of around 10 basis points compared to Monday.

The Bundesbank bought DM 12.8m worth of domestic paper against yesterday's figure of DM 48.4m

Amsterdam eased in line with the trend on other bourses while the internationals were also hit by the decline in the value of the dollar.

Among internationals Unilever lost Fl 6 to Fl 478. Active trading in Royal Dutch left it Fl 2 down at Fl 184.80 and Philips lost 70 cents to Fl 47.10.

Bonds were slightly lower as institutional investors remained on the sidelines.

Brussels failed to find solace in optimism over the Belgian political situation and the bourse saw most of Monday's gains wiped out.

Industrials experienced some of the hardest falls including Solvay, down BFr 140 to BFr 7,090, and Petrofina, which shed BFr 90 to BFr 8,570.

Holding company Société Générale de Belgique, which added BFr 55 on Monday following reports of higher 1986 profits, lost BFr 75 to close at BFr 2,850.

Paris followed the downward trend and also suffered from a bout of late profit-taking towards the close.

Engineering issues took some of the hardest knocks and included Matra which closed FFr 80 down at FFr 2,320.

Among oils, which were also affected by price worries, Elf Aquitaine lost FFr 3 to FFr 277, while chemical Roussel-Uclaf, which soared FFr 40 on Monday, slipped back FFr 10 to FFr 1,560.

Zurich lost most of the gains of the previous two sessions following the fall on Wall Street and in the value of the dollar.

Few sectors escaped selling pressure. Among foods Nestlé bearer, which expects 1986 profits at least to match the previous year, fell SFr 225 to SFr 7,475.

Stockholm closed lower in quiet trading and **Oslo** continued to suffer from worries over the oil price and the outcome of the Opec talks in Geneva.

Madrid, against the trend, closed marginally higher.

TOKYO

Yen's rally dampens enthusiasm

THE OVERNIGHT plunge on Wall Street and the yen's strong rally dampened buying interest in Tokyo yesterday sending equities sharply lower on a wide front, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average tumbled 310.00 to 17,728.94, its second steepest fall this year. But volume expanded from 767.86m to 1.32bn shares, reflecting busy trading in large-capital stocks. Declines far outpaced advances by 718 to 181, with 83 issues unchanged.

With the beginning of transactions for August settlements, institutional investors sought low-priced, large-capital issues in substantial lots, prompting buying by individual investors. One securities company official latter commented that, while institutional buying was smaller than expected, individual purchases for quick profit were much larger than anticipated.

Trading volume of the top 10 active stocks accounted for 48.4 per cent of overall turnover on the Tokyo Stock Exchange.

Nippon Kokan headed the active stock list with 134.21m shares changing hands on buying largely by individual investors. But it shed Y6 to Y239 on profit-taking sparked by the Dow Jones industrial average's slide below 1,800 on Wall Street. Ishikawajima-Harima Heavy Industries, second busiest with 124.72m shares, weakened Y8 to Y375 but Nippon Steel rose Y3 to Y199 and Toshiba, Y12 to Y472.

Tokyo Gas climbed Y30 to another all-time high of Y760 with 96.21m shares traded, reflecting renewed investor interest in its windfall profit from lower crude oil prices, the stronger yen and declining interest rates. Other gases firmed in sympathy, with Osaka Gas gaining Y29 to Y545.

Electric powers were mixed. Tokyo Electric Power and Kansai Electric Power advanced Y80 each to Y5,580 and Y3,740, respectively, while Chubu Electric Power plunged Y90 to Y3,800 and Hokuriku Electric Power Y130 to Y2,970.

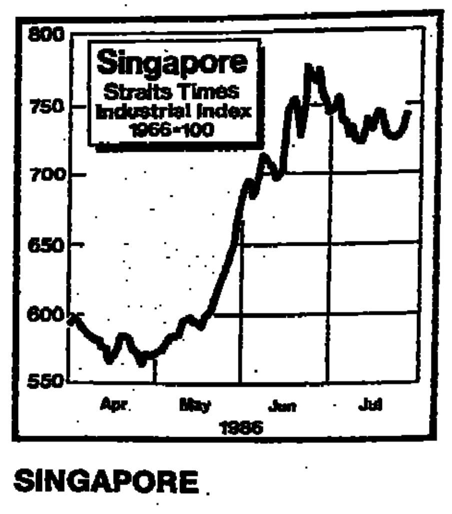
Nippon Yusen became popular with 55.05m shares traded. It firmed Y10 to Y525 on an improved buy-sell ratio in margin trading.

Some construction stocks were also favoured amid hopes of higher government spending on public works. Ohbayashi strengthened Y25 to Y785 and Kajima Y31 to Y1,030.

Conversely, blue-chip and biotechnology-related issues slumped almost across the board. Matsushita Electric Industrial lost Y70 to Y1,280.

Bond trading remained lethargic as institutional investors and dealers stayed on the sidelines, discouraged by a continued sharp decline in US Treasury bond prices before large-lot biddings by the Treasury Department for the third quarter of this year.

The yield on the benchmark 6.2 per cent government bond due in July 1995 rose from 4.765 to 4.79 per cent at one stage. But the bond later rallied and closed at 4.745 per cent after a large volume of buy orders were placed at 4.8 per cent.



SINGAPORE

THE STRAITS TIMES industrial index continued to climb in Singapore yesterday, adding 10.53 to 743.44 as bargain hunting and short covering pushed prices higher.

News that the economy had stopped contracting in the second quarter of the year led buyers towards blue chips and selected trustee stocks.

But the impending Malaysian election continued to strike a note of caution in the market following financial problems faced by some listed companies.

Singapore Press ended at S$8.05, up 15 cents, Cerebos advanced 14 cents to S$3.34, Inchcape 9 cents to S$2.12 and Singapore Airlines 5 cents to S$7.25.

Among firmer banks, OCBC and Malayan Banking both put on 10 cents to finish at S$7.10 and S$3.72 respectively.

HONG KONG

LATE BUYING interest in Hong Kong pushed the Hang Seng index up 12.72 to 1,860.01, just under its peak of 1,865.65.

Buyers sought utilities after heavy overnight purchases in the London market. Hongkong and China Gas jumped 40 cents to HK$17.30 as rumours surfaced, of an outright takeover bid for the group. No such development eventuated, however.

Takeover speculation also surrounded Hongkong Telephone, up 30 cents at HK$12.90. Talk centred on a buyout by its major shareholder, Cable & Wireless.

Strong interest from US investors fuelled solid rises in trading companies.

CANADA

THE DECLINE continued in Toronto yesterday despite a slight recovery in Wall Street.

Hiram Walker traded up C$⅝ at C$37⅝ after setting the C$1.1bn sale of its home oil unit to Interprovincial Pipe Line which dropped C$⅜ to C$41⅛. Hiram's parent company Gulf Canada slipped C$1¼ to C$12½.

Also among actives was Galactic Resources, down C$⅜ at C$8⅞ after completing a debenture issue to finance further mineral exploration.

All major sectors were lower in Montreal.

SOUTH AFRICA

TRADING was mixed in Johannesburg with golds firmer on a bullion price held above $350.

A hesitant mood surfaced ahead of the meeting between British foreign secretary Sir Geoffrey Howe and President P.W. Botha.

Vaal Reefs climbed R4 to R265, Kloof R1 to R24.50 and both Driefontein and Buffels advanced 50 cents each to R55.50 and R76.75 respectively.

AUSTRALIA

Confidence in A$ seen as crucial

A RETURN of confidence in the local dollar was seen as crucial in Sydney markets yesterday after the Government's moves on Monday to support the currency and to relax foreign investment regulations, *writes Perrie Crashaw in London.*

Prices inched ahead as some foreign money trickled into the market and the All Ordinaries index regained part of its 24-point fall of the previous session to end up 11 at 1,105.5.

Under the foreign investment regulations announced on Monday, foreign companies no longer need 50 per cent local participation to acquire property companies. The same applies in the manufacturing sector.

As a result, property developers scored the best gains of the day, with Lend Lease up 18 cents at A$7.98, Hooker Corporation 12 cents higher at A$2.47 and Westfield Holdings higher by 10 cents at A$17.20.

Market analysts believe that foreign, especially South-East Asian money will continue to pour into this sector, which is attractive as a safe and stable long-term investment.

However, a London-based trader with the Australian broker Bain & Company feels the Government could have gone further with its deregulation measures.

"Although the reversal on foreign investment was a pretty bold measure," he said, "the Government has still made no comment on deregulation in the mining sector, a move which would be welcomed by investors."

Most brokers see the market marking-time ahead of the August budget. A Potts West Trumbull broking analyst says: "The markets will be looking for a tight budget as a sign that the Government is coming to grips with the fundamental problems." He says that the mood continues to be defensive but that some buy opportunities might be thrown up in the future among companies with substantial overseas earnings.

LONDON

ENTHUSIASM returned to equity buying in London yesterday as sterling performed more steadily, an opinion poll revealed a revival in the Government's popularity and a report indicated that Opec has made progress towards cutting production levels.

After heavy losses in early trading, market indices rallied. The FT-SE 100 regained a fall of 12.6 to end 7 up at 1,556.4, while the FT Ordinary share index closed 7.8 higher at 1,271.6 after 1,253.7.

Gainers included Bass up 15p at 770p, Impala Platinum 35p higher at 615p, Polypipe 17p ahead at 140p and Grand Metropolitan 383p after a rise of 13p.

Confidence was rebuilt in the bond market on sterling's performance. Prices were lowered a fraction at the outset and eventually improved substantially.

Longs regained ¾ before ending up ⅝, while shorts and index-linked stocks also rallied from their recent low levels.

Chief price changes, Page 33; Details, Page 32; Share information service, Pages 30–31